Hormel 100TH ANNIVERSARY

The progress continues

ANNUAL REPORT
Geo. A. Hormel & Company, Austin, MN 55912
Fiscal Year Ended Oct. 27, 1990

	1990	1989
Net Sales	$2,681,180,000	$2,340,513,000
Net Earnings	$ 77,124,000	$ 70,114,000
Per Share of Common Stock	$ 1.01	$ .91
Percent of Sales	2.88%	3.00%
Dividends to Stockholders	$ 19,949,000	$ 16,870,000
Per Share of Common Stock	$ .26	$ .22
Capital Additions	$ 34,988,000	$ 23,742,000
Depreciation	$ 34,293,000	$ 35,669,000
Working Capital	$ 293,818,000	$ 232,941,000
Stockholders' Investment	$ 513,832,000	$ 470,929,000

Per share figures have been restated to give effect for the two-for-one stock split which was effective Jan. 31, 1990.

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CENTENNIAL BOOK AVAILABLE

In 1991, Geo. A. Hormel & Company celebrates its Centennial year. To mark this special occasion, the Company is publishing *The Hormel Legacy: 100 Years of Quality.*

All employees and retirees will be offered the opportunity to receive one free copy of the 200-plus page book with illustrations and photographs chronicling the Company's 100-year history. The book is available for purchase by stockholders and others having an interest in the Company for $19.95, plus $3 postage and handling. Employees and retirees may order additional copies at the same price.

All orders must be prepaid. Include your name and the address to which the book should be sent. Send your check for $19.95 per copy, plus $3 postage and handling fee, payable to Geo. A. Hormel & Company, to:

Centennial Book
P.O. Box 800
501 16th Avenue N.E.
Austin, Minnesota 55912

George A. Hormel
1891-1929

Jay C. Hormel
1929-1946

H.H. Corey
1946-1955

R.F. Gray
1955-1965

M.B. Thompson
1965-1969

I.J. Holton
1969-1979

Entering our 100th year in business, after completing another excellent year of record earnings, sales and volume achievement, is extremely gratifying to all of us associated with this great Company.

We appreciate and realize how fortunate we are to remain in control of our destiny when so many industry counterparts no longer exist or are but a small part of another corporation. This meaningful circumstance is accentuated by the special and exciting feeling all of us share as members of this wonderful family where quality, innovation and teamwork attributes originated by the founder are still so much in evidence today.

The fourth quarter continued its now familiar pattern of surpassing all previous quarters. Last year's finish was especially gratifying because it followed an unexpected near-record rise in pork raw material costs that were difficult to incorporate into product pricing. Equally pleasing was the realization that each segment of the Company's business made a positive contribution to the record-setting fourth quarter.

For fiscal 1990, we were very pleased with the excellent overall increase in dollar sales and sales volume. While part of the improvement can be attributed to higher price levels, much of it represents the excellent progress achieved in our quest to add value and brand presence to ever-increasing product lines.

Our performance is even more remarkable when considering the large expenditures — more than $130 million — committed to advertising and promotional programs in support of new product introductions and line extensions. These significant expenditures are important investments in our future.

Excellent progress has been attained in the marketing and distribution of Company shelf-stable, microwaveable products, notably **Top Shelf** main dish entrees and **Micro Cup** shelf-stable entrees and soups. This latter product family was recipient of the food industry's most prestigious international award in October. After food distributors and buyers from 17 countries gave a top rating to **Micro Cup** shelf-stable entrees and soups, the 19-item line entered international competition where it was declared the best grocery product item of 1989-90. The SIAL D'OR award was presented to the Company at the annual International Food Products Exhibition in Paris, France.

Also significant was the selection of **Top Shelf** main dish entrees by the U.S. government as the best available product and package to supply American armed forces in the Middle East. The two-phase contract exceeds $44 million. We believe the government's acceptance of this retail-branded food product will result in new, improved standards for military rations as well as excellent prospects for future Company business.

National launching of the updated line of **Kid's Kitchen** shelf-stable entrees will provide additional momentum to the building of Hormel microwave sections in major U.S. supermarkets. Research and engineering work on **Hormel** microwave bacon is now completed to allow for market distribution on a broader basis. Meanwhile, other established and new brands continue to prosper and contribute to Company growth.

Jennie-O Foods, Inc., finished the year strongly. This wholly owned subsidiary is being expanded with major capital investments directed at two plant locations — all with the intention of providing increased production capacity and growth. FDL Marketing, Inc., Farm Fresh Catfish Company and Catalogue Marketing, Inc., were important contributors to year-end results. Achievements of Hormel International Corporation (HIC) were particularly impressive, resulting in outstanding growth and improved earnings.

In January, the Company's Board of Directors elected to begin trading its common stock on the New York Stock

Exchange. The American Stock Exchange had served the Company well for many years; however, the move to the New York Stock Exchange opens opportunities for greater acceptance by investment groups who choose to purchase only New York Stock Exchange shares.

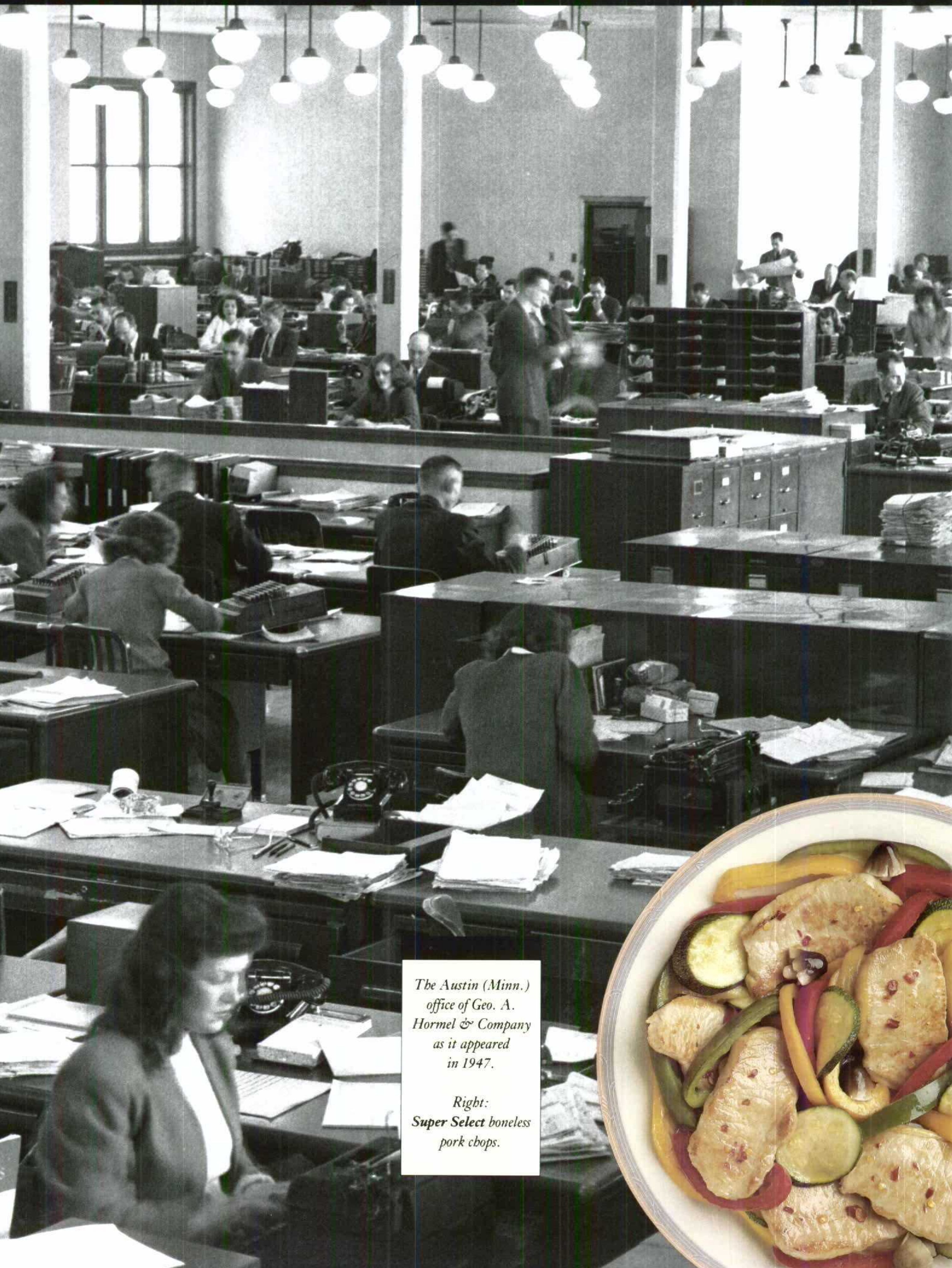
In August, corporate responsibilities were reorganized to include two new operating groups. The Foodservice Group is led by James W. Cole and the International, Frozen Foods and Planning & Development Group by David N. Dickson. Both were elected group vice presidents. It is our intent to give increased importance and focus to those important business segments identified as areas offering major growth opportunities. Gary J. Ray, senior vice president, was elected to group vice president of the Operations Group.

Following the close of the Company's fiscal year, Charles D. Nyberg, senior vice president and general counsel who has served the corporation magnificently, retired after more than 31 years of extraordinary service. In November, Cole, Dickson and Ray, along with Stanley E. Kerber, group vice president of the Meat Products Group, and Robert F. Patterson, group vice president of the Prepared Foods Group, were named to the Hormel Board and Executive Committee. The Board also elected James A. Jorgenson vice president of manufacturing and Mahlon C. Schneider vice president and general counsel.

As this memorable 100th year unfolds, many events are planned to commemorate our progress and heritage. While celebrating this Centennial milestone, we're also focused and committed to assuring that our 100th year will be the Company's best ever.

R L Knowlton

R. L. KNOWLTON
Chairman of the Board
President and Chief Executive Officer



The Austin (Minn.) office of Geo. A. Hormel & Company as it appeared in 1947.

Right: ***Super Select*** *boneless pork chops.*

Geo. A. Hormel & Company observes its Centennial anniversary in 1991. On the occasion of this memorable milestone, there is much to celebrate. Upon starting his small business in 1891, George A. Hormel couldn't possibly have foreseen that the company bearing his name would eventually benefit so many. He could not have predicted that from such simple beginnings would evolve a food industry giant whose consumer food products literally touch millions of lives and now extend to nearly every corner of the globe. Nor could he have envisioned that the human side of the Company's century would be equally interesting with a handful of employees, working in an abandoned creamery, multiplying dramatically to more than 8,300 men and women, including subsidiaries, now based in plants, distribution centers and offices nationwide.

Despite continued development as a business organization, nowhere and at no time have growth and leadership been more apparent than during fiscal 1990 when Geo. A. Hormel & Company, in the final year leading to its Centennial observance, established an overall financial performance that ranks among its best in history. Improved net earnings and earnings per share were reported for the seventh consecutive year. Noteworthy gains were made in stockholder value, principally in a record 24th consecutive increase in quarterly dividend rates. The Company's debt-to-capital ratio remained one of the lowest in the food industry while improvement in return on assets was another financial measurement attesting to the soundness of the Company's balance sheet.

In addition to these impressive financial achievements, fiscal 1990 was memorable because of the strategic and operational strides made toward ensuring future growth. In particular, attention was given to continued investment in capital additions — physical plant and equipment — to enhance product quality and manufacturing output; to increases in advertising expenditures in support of established brands and new market introductions, and to research and development efforts which focused on product and process improvement and new product development.

SALES REACH $2.6 BILLION

One yardstick demonstrating consistent improvement in the Company's financial performance is dollar sales which generated quarterly double-digit percentage increases in fiscal 1990, as compared to fiscal 1989, en route to reaching an all-time record level. Net sales of $2,681,180,000 represented a 14.6 percent increase over the previous record high of $2,340,513,000 established in 1989.

First quarter dollar sales were the best in Company history with a 12.6 percent increase over the previous year providing a strong start to the outstanding final results. Sales for the second and third quarters rose 20.3 and 16.1 percent, respectively, bringing the Company just under the $2 billion mark after 39 weeks of the fiscal year. The concluding quarter was the finest ever with dollar sales of $772,822,000, a 10.5 percent improvement over last year's fourth quarter.

The quarter-by-quarter increase in dollar sales in fiscal 1990 is a strong reflection of the strength and progress of the Company's business and its product lines. Especially gratifying is the fact that virtually all of the sales increase can be attributed to higher volumes of both new and existing value-added product lines.

NET EARNINGS SET RECORD

Encouraged by sales and volume gains, the Company also focused attention to the bottom line — on consistent growth in earnings performance. The result was a seventh consecutive year of improved net earnings — a feat never before accomplished in the Company's 99-year history.

Net earnings rose 10 percent to a record $77,124,000, eclipsing the previous all-time high of $70,114,000 recorded one year earlier. Earnings per share, restated to give effect for the two-for-one stock split effective Jan. 31, 1990, were $1.01 per share as compared to 1989 earnings per share of $.91.

Despite less plentiful pork supplies and near-record raw material costs which adversely affected gross profit margins, net earnings for the first quarter, six and nine months and concluding quarter reflected increases over the comparable periods of fiscal 1989. The first quarter ended with a 5.3 percent improvement over record first quarter earnings established the previous year. Six months net income rose 20 percent while earnings for the nine months jumped 7.9 percent. Adding to this favorable pace was the record-setting fourth quarter which produced net earnings of $36,316,000, a 12.4 percent gain over the previous record of $32,299,000 set in the final quarter of last year.

STRONG FINANCIAL POSITION

Growth exhibited in sales and earnings reflects just one aspect of the Company's total success. Equally impressive are other achievements which further support the year's performance.

At Oct. 27, 1990, stockholders' investment amounted to $513,832,000, an increase of $42,903,000, or 9.1 percent, over the 1989 year-end total of $470,929,000. The book value per share of the Company's common stock rose $.56 to $6.70 at the end of fiscal 1990 from $6.14 for the preceding year, restated to give effect for the two-for-one stock split which was effective Jan. 31, 1990. In addition to the annual cash dividend increases over the last 10 years, the stockholders' investment in 1990 was equal to 2.3 times what it was in 1981.

Total assets again increased, reaching a new record high of $799,422,000, a gain of $71,993,000 over the previous record of $727,429,000.

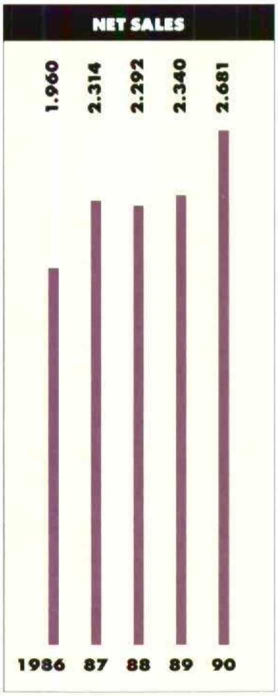
CAPITAL ADDITIONS AND ACQUISITIONS

To ensure this growth pattern continues, Geo. A. Hormel & Company maintains an ongoing program of capital investment. In fiscal 1990, $34,988,000 was invested in plant and equipment to support future growth plans and productivity improvements. This represented an increase of $11,246,000, or 47.4 percent, over the $23,742,000 expended in 1989. In the year ahead, capital additions are expected to reach $40 million.

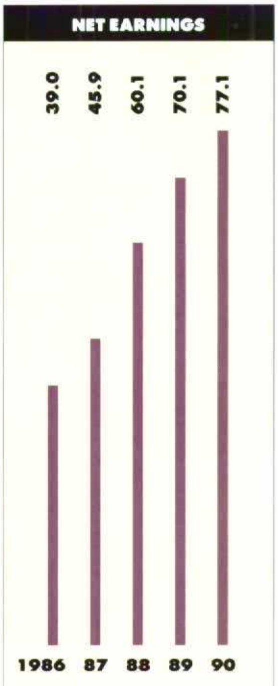
Several small but strategic acquisitions completed this year will strengthen further the Company's food business. In August, the Company acquired Parkin Food Products, Ltd., South Kirkby, England, a wholly owned overseas subsidiary, involved in the manufacture, sale and distribution of shelf-stable, microwaveable pasta, fish and meat entrees to retail, foodservice and institutional accounts.

Augmenting the Company's mail-order division was the purchase of S.E. Rykoff & Co.'s catalog operation, Los Angeles, Calif., which will expand considerably the variety of specialty products now offered through Catalogue Marketing, Inc., a wholly owned subsidiary. Fine restaurant quality foods, distinctive cookware and accessories are featured items provided by S.E. Rykoff & Co. which will now be incorporated into **Austin Street Market** and other Company gift catalogs.

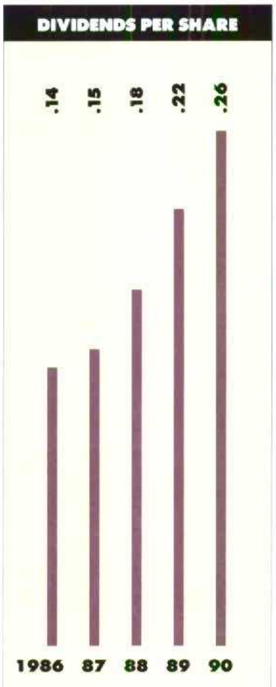
In September, announcement was made of the purchase of assets of Gourmet America, Inc., a three-year-old specialty foods importing firm based in Hingham, Mass. Gourmet America sells imported and domestically made specialty foods and serves as a national sales and marketing agency to local and regional distributors. Acquisition of this growing firm moves Hormel into the specialty foods market with high-quality gourmet foods, meats, hors d'oeuvres and beverages. Opportunities also exist to integrate these select products into the Company's own retail and foodservice distribution system as well as business gift and sales incentive programs conducted through Catalogue Marketing, Inc.



(Billions of Dollars)



(Millions of Dollars)



(Dollars)

COMMON STOCK

In fiscal 1990, major steps were taken of benefit to Geo. A. Hormel & Company stockholders and the financial community. Significantly, on January 16, the Company's common stock began trading on the New York Stock Exchange (NYSE). Previously, since 1975, the Company had been listed on the American Stock Exchange.

The move is certain to bring higher visibility and recognition of the corporation to the investment community. It will also help in attracting new investors, thus broadening the Company's stockholder base.

Continuing to share its prosperity with the owners of the Company, in action taken early in the first quarter, the Board of Directors authorized an increase in the annual dividend on common stock from $.44 to $.52 per share prior to the two-for-one stock split, an 18.2 percent improvement. The new quarterly rate of $.13 per share was paid Feb. 15, 1990, to stockholders of record Jan. 20, 1990.

The new rate reaffirmed a longstanding policy of increasing dividends commensurate with earnings growth. It also extended to 24 consecutive years the Company's proud history of raising dividends on its common stock. Equally significant is the uninterrupted dividend payout record extending from 1928. Since that time, Hormel stockholders have received quarterly cash dividends for 62 consecutive years, or 248 quarters.

A two-for-one split of the Company's common stock, approved at the 1990 Annual Meeting, became effective January 31. Stockholders also approved an increase in the number of authorized common shares from 100 million to 200 million. When adjusted for the two-for-one split, the per share annual dividend rate became $.26 per share. This was the Company's second two-for-one stock split in three years, the previous split occurring June 1, 1987. Since 1960, Hormel common stock has split seven times on a two-for-one basis. This means that every share owned 30 years ago now equals 128 shares.

In May, the Company created a dividend reinvestment plan which permits stockholders to reinvest their dividends in Hormel common stock automatically, regularly and conveniently without service charges or brokerage fees. In addition, participating stockholders may make limited periodic cash investments for the purchase of additional Hormel stock on the same free-fee basis.

The high and low closing price of the Company's common stock and the dividends per share paid during each quarter of fiscal 1990 and 1989, respectively, shown below, have been restated to give effect for the two-for-one stock split effective Jan. 31, 1990.

1990	High	Low	Dividend
First Quarter	**17 1/2**	**14 7/16**	**$.065**
Second Quarter	**17 1/4**	**14 3/8**	**$.065**
Third Quarter	**18 1/2**	**14 3/4**	**$.065**
Fourth Quarter	**17**	**14**	**$.065**

1989	High	Low	Dividend
First Quarter	**11 3/4**	**9 5/16**	**$.055**
Second Quarter	**12**	**10 1/16**	**$.055**
Third Quarter	**14 9/16**	**10 7/8**	**$.055**
Fourth Quarter	**15 3/8**	**13 5/8**	**$.055**

As of Oct. 27, 1990, the Company had 9,284 stockholders of record. Total shares issued were 76,852,128.

EMPLOYEE RELATIONS

In September, the approximately 950 employees at the Austin (Minn.) flagship plant voted to ratify a new two-year labor agreement. The contract provided for wage improvement retroactive to September 2 with a second increase scheduled Sept. 1, 1991. Adjustments in the contract ensure that employees will continue to receive the best wages, health care and retirement benefits in the industry.

In 1991, contracts at Company facilities in San Francisco and Stockton, Calif., and Springfield, Mo., will expire. The impending negotiations with local unions representing these locations affect slightly more than 100 hourly employees.

PROTECTING THE ENVIRONMENT

Concerned about the protection and preservation of the environment, Geo. A. Hormel & Company has taken a leadership role in addressing many of the environmental challenges confronting the food industry. In particular, heightened attention has been directed to two major issues facing society today — municipal solid waste reduction and recycling.

Although much needs to be done, Company involvement and progress have been substantial.

Packages used to protect the quality and safety of many Hormel products are made from environmentally friendly recyclable materials. Examples include aluminum food containers for **SPAM** luncheon meat; steel containers for **Hormel** chili, **Dinty Moore** beef stew, **Mary Kitchen** roast beef hash, **Hormel** chunk chicken, salmon, ham and turkey and other canned foods, and glass jars for **Hormel** sliced dried beef, **Hormel** bacon, ham and pepperoni bits and *Chi-Chi's* restaurante-style Mexican sauces and dips, among others.

A more challenging problem involves plastic packaging, although it represents less than four percent of the total municipal solid waste generated in the United States. While new shelf-stable products in state-of-the-art plastic packaging preserves food quality without refrigeration, the many types of polymers used make recycling more complex and less economically attractive for area recycling centers. However, Hormel, working with suppliers and other industry professionals, uses the recycling triangle and code recommended by the Society of the Plastics Industry (SPI) in identifying its rigid plastic containers. This symbol helps recyclers to recognize the plastic resin used to manufacture a container so it can be easily recycled.

Cartons for **Top Shelf** main dish entrees, microwaveable bowl products, gelatin desserts and puddings are packed in 100 percent recycled paperboard. Packaging for frozen and refrigerated products such as **New Traditions** breakfast and dinner sandwiches, sliced bacon and **Hormel** pepperoni is being tested for conversion to recycled paperboard. All corrugated shipping cartons are fully recyclable.

Hormel also recycles cardboard, white office paper, newspaper and computer printout paper. At the Corporate Offices, 7½ tons of paper and cardboard are recycled monthly while six major Company plants recycle another 200 tons each month. Additional materials recycled include steel barrels, scrap steel, aluminum, brass and copper from maintenance shops and pallets and dividers used in plant operations.

At Hormel, solid waste management and recycling are seen not only as sound business steps but an environmental plus as well. The Company, long known for its leadership as an innovative food processor and marketer, is equally determined to be identified as a responsible environmental partner.

The Fresh Sausage Department at the Austin (Minn.) plant in 1946.

Right: ***Hormel*** *bacon bits.*

As the Company approached its Centennial year, celebrating a century-long tradition of product and process innovation, the Operations Group directed attention to increasing its status as a low-cost producer of consumer-branded foods known industrywide for their exceptional quality and value.

Low-cost producer savings were achieved through Companywide productivity improvements, the introduction of leading-edge technologies, investment in state-of-the-art equipment and consolidation and specialization of plant facilities which produced greater efficiencies and economies of scale. Complementing these heightened efforts were employee involvement in the Quality Improvement Process (QIP) and the application of these principles and methodologies. QIP enabled everyone to work more efficiently and to deliver higher quality workmanship, resulting in substantial internal reform and a permanent competitive advantage.

The Operations Group also maintained its intense emphasis on ergonomics and workplace safety, aided greatly by an experienced engineering staff that displayed a "can do" attitude regarding employee health, welfare and comfort. An extraordinary 3.0 lost-time injuries per 100 employees firmly positioned Hormel as a safety leader among its peers at a time when the food industry was placing unprecedented emphasis in this critical area.

FACILITY IMPROVEMENTS

In its determination to maximize production at minimum cost, the Operations Group continued to scrutinize and streamline its plant facilities. In some cases, this meant consolidation or closing of operations, in other cases, it called for major expansion or renovation; in all cases, it demanded improvement in the efficiency of existing manufacturing and distribution systems.

Early in the year, the Seattle (Wash.) meat products plant was closed and bacon and prepared sausage production transferred to other Company plants. This was followed in March by the shutdown of the Montgomery (Ala.) distribution center. Operations at Farm Fresh Catfish Company's Greensboro (Ala.) plant were discontinued early in the second quarter and production shifted to the Hollandale (Miss.) and Lake Village (Ark.) facilities. In reconfiguring its manufacturing and distribution operations, the Company is able to reduce overhead costs while maintaining or enhancing product quality and customer service.

The Company's oldest facility is located in Fremont, Neb. Constructed in 1948-49, an ongoing program of renovation and expansion has helped lower manufacturing costs and increase operating efficiencies. In fiscal 1990, the Fremont plant benefited from more than $1 million in capital investment that is certain to pay long-term dividends. Major improvements included the installation of spray-chill equipment that reduces shrink losses and increases the value of raw materials. Refurbishing of mainstream generating units produced significant energy savings while special attention to a plantwide ergonomics program led to important advances in workstation and equipment design.

Growing consumer popularity of **Micro Cup** shelf-stable soups and entrees necessitated the start-up of additional production capabilities at the Beloit (Wis.) grocery products plant. In anticipation of further volume needs, the planned installation of a **Micro Cup** shelf-stable soups and entrees line at the Atlanta (Ga.) meat products plant will provide additional manufacturing capacity. Production of the familiar 7½-oz. single-serve size will commence early in fiscal 1991, along with a larger 10½-oz. version to be introduced for the first time.

*Steven J. Najdowski, Beloit, Wis., oversees production of **Micro Cup** shelf-stable soups and entrees.*

PRODUCTION OPERATIONS

The ever-increasing demand for precooked bacon among retail and foodservice operators prompted the installation of a new high-capacity line at the Austin (Minn.) plant. A sizable investment was also made in the purchase and setup of processing and packaging equipment for Pork **By George** — an extension of the popular Chicken **By George** and Turkey **By George** lines. The four-item Pork **By George** family will be introduced into test markets in 1991 with improved flavor formulations.

The success of the new, smaller sized **Cure 81** ham, developed and produced last year at the Austin plant, spurred the decision in late September to begin a similar operation in Fremont. The reduced size enables consumers to purchase this superior product at a lower

unit cost and offers the added convenience of fewer portions with no leftovers. At midyear, the Fremont plant gained the distinction of being the lone Company facility to begin production of **SPAM** breakfast strips, an exciting companion item to the world famous **SPAM** luncheon meat. Introduction of this revolutionary product involved the cooperation of many disciplines, including research and development, operations, engineering and marketing.

At the Dold Foods plant in Wichita, Kan., new curing and mixing equipment upgraded production of **Curemaster** ham. Ergonomic modifications on the **Layout Pack** wide-shingled bacon line have minimized the necessity for repetitive, twisting motions, resulting in reduced injury risk.

A new chill cooler installed in the Algona (Iowa) dry sausage plant offered better regulation of product cool-down and storage temperatures, thereby improving immeasurably the slicing qualities of **Hormel** pepperoni. At the Stockton (Calif.) grocery products plant, additional stuffing equipment for **Hormel** tamales boosted output and reduced overhead costs. Modernization of warehouse facilities late in the year

Wesley D. DeMoss, Knoxville, Iowa, operates a stuffing machine for ***Rosa Grande*** *pepperoni.*

In Austin, Minn., Daniel J. Bartel works on the ***Wranglers*** *smoked franks line while Michael L. Hanson gives the product a final quality control check.*

enhanced inventory control and shipping efficiencies.

Information and control systems that monitor, track and record daily manufacturing and quality operations were installed at several plant locations. In Beloit, highly advanced computerization is used to guard retort cooking of **Hormel** chili, **Mary Kitchen** roast beef hash, **Mary Kitchen** corned beef hash and the full family of **Micro Cup** shelf-stable soups and entrees. In Algona, an integrated computer-based system checks temperature and humidity levels during the drying process of **Hormel** pepperoni. In Fremont, employment of a new centralized computer operation regulates cooking and smoking of ham, bacon and sausage during processing. All units collect data, oversee production and control critical processes.

Also in Algona, new scaling equipment for **Pillow Pack** pepperoni provides improved accuracy in the high-speed checkweighing and packaging of this product in 3- and 5-lb. pouches. The updated equipment doubled daily production capacity for **Pillow Pack** pepperoni while offering important labor-saving benefits.

Continued strong sales growth of **Top Shelf** main dish entrees led to the addition of a new high-speed filling and sealing line that enlarged output by 35 percent. In addition, installation of a complete pasta manufacturing operation allowed for in-house production of egg, spaghetti and lasagna noodles used as ingredients in selected **Top Shelf** main dish entrees. This investment significantly reduced operating costs and offered better control of product quality. The development of improved seal integrity testing equipment ensures inspection of every package even at the faster line speeds made possible with the improved production process.

Chi-Chi's salsas, picante sauces, taco sauces and cheese and bean dips have

Ongoing supervision and inspection is given to the production of ***SPAM*** *luncheon meat. Shown here are Brenda A. Fisher and Kenneth L. Christianson, Austin (Minn.) plant employees.*

met with such remarkable consumer demand that additional automated processing and packaging equipment became a necessity. Production capacity was raised 25 percent, easing the pressure for increased volume. Equally beneficial, the new line can be adapted

to provide for increased production of the Company's **Not-So-Sloppy-Joe** Sloppy Joe Sauce.

COMMITMENT TO SAFETY

Just as every aspect of the Company's operations are examined to improve productivity, so, too, is a relentless emphasis given to providing employees with a safe, secure work environment.

A sustained, all-encompassing program of worker safety, coupled with incorporation of new ergonomic technologies, culminated in a reduction in lost-time injuries for the sixth consecutive year. Leading the drive towards achieving the safest possible workplace environment was the Houston (Texas) meat products plant with 14 months without a lost-time injury and the Knoxville (Iowa) dry sausage plant with nine months of injury-free work.

An important element of establishing a true safety culture has been special recognition of employee accomplishment. During fiscal 1990, several were honored for having worked more than 30 years without a lost-time injury. In Austin, Donald J. Kral recorded 44 years of workplace safety while Carnell C. Thompson, employee at the Charlotte (N.C.) distribution center, could claim 33 years. At Fremont, 60 employees with more than 20 years service were cited for their unblemished safety record while 28 Hormelites in Oklahoma City, Okla., had worked injury-free five or more years. Excellent safety achievements were the norm at nearly all Company plants and distribution centers.

A major factor behind this remarkable Company and industry record has been the implementation of ergonomically correct workstations and tools, plus newly designed equipment, that has led to less stressful, less demanding work in all aspects of plant operation. Newly installed strain- and effort-reducing equipment included vat dumpers, automatic lifts for pallet loading and unloading, inclined conveyors

***San Remo Brand** genoa is given a final inspection by Donna M. Berry, Austin (Minn.) plant.*

and mechanical hoists to raise and position heavy rolls of packaging material. Stools provided to employees allowed for flexibility in changing work positions which reduced leg and back strain and improved on-the-job comfort. Air-operated scissors replaced old-fashioned manual cutting of dry sausage at Algona and Knoxville plants while adjustable tool handles and grips for electrically operated rotary knives reduced injuries caused by repetitive motion.

An ongoing part of the Company's safety and ergonomics program is the specialized educational training sessions held at all plant locations. In addition, employee surveys and workplace studies by Hormel engineers continue to pinpoint areas where improvements are most needed. Safety committees active throughout the organization have proven helpful in improving communication and involvement at all levels of the Company.

A 1925 view of lard packaging operations in Austin, Minn.

Below: ***Hormel Homestyle*** *bacon pieces.*

The Refineries Division significantly expanded its production of edible and inedible products in fiscal 1990. The addition of a second shift to pork processing operations at the Austin (Minn.) plant increased substantially the availability of raw materials, enabling the Refineries Division to operate at peak capacity, maximize production and cost efficiencies and optimize profit opportunities.

Near the end of fiscal 1989, the Refineries Division began producing a natural flavored chicken broth. Due to consumer nutritional interests, the concentrated meat stock quickly gained trade acceptance which prompted the start-up of full production by midyear. A new addition to the line, an all-natural flavored turkey broth, was introduced in March.

Continuing a trend noted last year, bakery and foodservice industries have shown increased interest in Company-produced all-vegetable margarine and shortening products for use in cookies, crackers and other snack foods. At the same time, the Refineries Division has successfully pursued and established new markets for its further-processed lard. In particular, this specially refined product has met with favor among feed and pet food manufacturers seeking high-quality, odorless and flavorless fats that offer maximum palatability and high-energy content.

The Flavoring Department continued to expand its production of seasonings for Jennie-O Foods, Inc., a wholly owned Company subsidiary, known for its line of further-processed, value-enhanced turkey products. Added to this already improved volume will be the manufacture in fiscal 1991 of flavorings for Chicken **By George** prepared packaged chicken and Turkey **By George** prepared packaged turkey.

FEED DIVISION

Despite some of the lowest Midwestern swine and beef cattle inventories in recent history, the Feed Division was able to surpass its year-earlier sales volume. Of major significance was the impressive growth recorded in the sales of dairy feeds, a direct result of newly developed supplements specifically formulated for high-producing dairy cows.

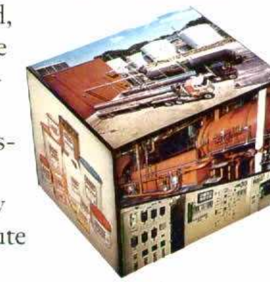
Propass 28-9 dairy supplement and **Propass** 37-9 dairy supplement were introduced to provide dairy cows with important fiber, bypass proteins and high energy. Newly formulated **Hormel** niacin pak and **Hormel** buffer pak were developed to help producers balance the diet of dairy herds while maximizing and/or maintaining satisfactory on-farm milk production levels. **Hormel** dairy flavor pak, another midyear introduction, provides cows with a consistent taste preference that encourages feed consumption and enhances eating palatability.

For pork producers, **Surepac** 55EQ swine supplement is a multipurpose product that provides improved levels of protein quality for swine herds. **Basepac** turkey starter base mix and **Basepac** turkey grower base mix, reformulated during the year to include higher protein and mineral content levels, have sparked renewed interest from turkey growers desiring greater nutritional benefits.

PORK DIVISION

Pork prices averaged nearly $50 per hundredweight in the first half of fiscal 1990, then rose sharply in the third quarter to the $60 per hundredweight range, peaking at $67 for a short period in May. As the year ended, pork prices showed some moderation with a return to the $50 per hundredweight level. For the calendar year, pork prices were expected to average around the mid-$50's, up $11 per hundredweight from the year before. The higher raw material costs forced several Midwestern meatpackers to temporarily suspend processing operations midway through the year.

In response to these higher prices, pork producers were expected to increase their herds. Although some growth occurred, it was slower than anticipated and, at year-end, the nation's breeding stock remained at historically low levels. Industry analysts attribute this to uncertainty regarding corn and soybean crops and a hog/corn ratio that is lower than the last herd expansion of 1986-87.



At fiscal year-end, industry surveys revealed pork producer intentions were to increase farrowing operations approximately two percent. If true, pork supplies should increase in the second and third quarters of fiscal 1991. This should bring some relief to raw material costs in the concluding quarter with prices paid for market barrows and gilts dropping below the $50 per hundredweight level.

Late in the fiscal year, the United States Department of Agriculture (USDA) predicted per capita red meat and poultry consumption would rise approximately six pounds in 1991. At year's close, however, widespread concern about the nation's economy was expected to have some influence on consumer expenditures for meat and poultry products in the year ahead.

The Hormel Girls visited thousands of grocery stores, making sales calls and staging product demonstrations.

Below: ***Top Shelf*** *glazed breast of chicken.*

If the Hormel Girls were returned to "active duty" today, they would focus their promotional efforts on microwaveable foods — the product category that has become the foremost priority of the Grocery Products Division.

Solid growth in tonnage volume and record dollar sales in fiscal 1990 can clearly be attributed to microwave prepared meals and the Grocery Products Division's early involvement in this high-growth category. Hormel has earned number one status with its multiple lines of microwaveable foods in trays, cups and bowls. In fact, the growth of Hormel microwave prepared meals has outstripped the substantial development of the category itself.

Sales of microwaveable foods exceeded $400 million in 1990 — a figure that is expected to more than double within two years as the easy-to-use appliance becomes an everyday home necessity. Already 85 percent of America's households have one microwave oven — many sport two units. Nearly 70 percent of the nation's businesses, offices and plants have equipped their lunchrooms and kitchens with microwaves while popularity has extended elsewhere to include use in college dormitories, vacation cabins, on boats and even in the cabs of high-tech farm tractors.

By fiscal year-end, approximately 50 percent of the nation's grocery stores and supermarkets had devoted a special section to microwave food products. Not coincidentally, fiscal 1990 also marked the year in which Hormel moved into national distribution with its diversified families of microwave offerings after several years of intensive market testing and refinement.

Nearly 45 percent of all food items in the Grocery Products Division now have microwave application — a percentage that will continue to grow as the focus on new microwaveable foods and line extensions increases in the years ahead. New product concepts will offer the best in consumer convenience and quality as well as environmentally friendly packaging that ensures greater use of recyclable materials. Presently, Geo. A. Hormel & Company is involved in several joint venture efforts with major packaging suppliers who are committed to the development of futuristic package concepts that address convenience and environmental priorities.

NATIONAL DISTRIBUTION REACHED

After three years of carefully planned market expansion, **Top Shelf** main dish entrees ended its first full year of national distribution in 1990 with gratifying results. Selected as one of the 10 best products by the American Marketing Association, **Top Shelf** main dish entrees has earned its business, industry and consumer praise by capturing leading market share in the dinner segment of the shelf-stable category.

Two new additions introduced in August — **Top Shelf** chicken ala king and **Top Shelf** chicken cacciatore — satisfy ongoing consumer interest in poultry-based products. Fifteen distinctive, deluxe entrees now comprise this much-heralded line.

A redesign of the package's front panel highlights the "no preservatives" feature of **Top Shelf** main dish entrees while displaying more prominently the highly regarded Hormel logo. Significant marketing and promotion expenditures revolved around print advertisements in leading women's magazines; day and prime-time television commercials featuring celebrity

spokesman Dick Cavett; national FSIs, and 350 million cents-off coupons, all designed to identify the convenient, shelf-stable and high-quality attributes of the **Top Shelf** main dish entrees line.

BETTER THAN HOMEMADE

The continuing appeal for spicy and ethnic foods produced another strong growth year for **Hormel** chili. This veteran Hormel product, introduced in 1935 with promotions featuring a Mexican song-and-dance troupe called the "Chili Beaners," is the tonnage volume leader in the Grocery Products

Division and the number one selling brand in the huge one-quarter billion pound chili category.

The introduction in November 1989 of **Hormel** chili with beans and **Hormel** chili no beans in 10½-oz. single-serve microwaveable bowls garnered a solid market reception in 1990. In the traditional can, a 19-oz. variety was added for distribution into Southwestern markets where chili popularity and consumption are at their highest.

SOUPS AND ENTREES

The **Micro Cup** shelf-stable soups and entrees family experienced spectacular sales growth in 1990. The 19-item line of convenient and portable microwave-ready entrees satisfies consumer demand for quick, nutritious meals that can be prepared in minutes at home, on the job, or at a convenience store for on-the-run enjoyment. Along with consumer acceptance, **Micro Cup** shelf-stable soups and entrees earned international recognition when it was honored in May as the best new grocery product by the respected SIAL D'OR jury in Paris, France. The award is significant because it represents the top choice of American retailers and their counterparts in 17 foreign countries.

Ten new items were added to the **Micro Cup** shelf-stable soups and entrees line in 1990. **Hormel** macaroni & cheese, **Hormel** beef ravioli and **Hormel** pork & beans made their market debut as did seven hearty soup items — country vegetable, beef vegetable, chicken with rice & vegetables, minestrone, chicken noodle, bean & ham and New England clam chowder — all which competed well against time-tested competitors.

NEW PACKAGE/NEW PRODUCTS

After test marketing **Kid's Kitchen** shelf-stable entrees for nearly two years in Denver, Indianapolis and Phoenix, the Grocery Products Division capitalized on what it learned about preferences of parents, children's tastes and packaging to redesign and refine the promising line. In the beginning of fiscal 1991, **Kid's Kitchen** shelf-stable entrees began appearing in the same three test markets but in a microwave-ready **Micro Cup** rather than the larger tray and offers an attractive price difference to parents. Two new varieties — beefy mac and beans & wieners — joined three forerunners to the line, cheezy mac 'n cheese, spaghetti & mini meatballs and mini beef ravioli in tomato sauce, all designed to be prepared by children in a microwave in two minutes or less.

MEXICAN SAUCE LINE

As the Mexican sauce category continues to grow nationally at an 11.5 percent rate, *Chi-Chi's* salsas, picante sauces, taco sauces and cheese and bean dips have matched the expanding popularity, particularly in those American cities where *Chi-Chi's* restaurants are located. In 1990, *Chi-Chi's* restaurante-style Mexican sauces and dips enjoyed number one status in many major U.S.

markets, including Louisville, Indianapolis, Milwaukee, Cincinnati and Cleveland, while category share growth continued to rise in other metropolitan cities. With the addition of two more regions in 1990, *Chi-Chi's* restaurante-style Mexican sauces and dips are now in 60 percent of the U.S. marketplace.

A newcomer to the line, a 16-oz. thick and chunky *Chi-Chi's* medium salsa seasoned with cilantro helped enhance sales in a market niche that has expanded steadily over the last decade. The *Chi-Chi's* brand was supported with spot television commercials aimed at such peak snack periods as holidays and Super Bowl Sunday and with FSI coupons that encourage retail movement.

THREE POPULAR VETERANS

Dinty Moore beef stew, **Mary Kitchen** roast beef hash and **Mary Kitchen** corned beef hash continue to produce excellent volume growth. Particularly strong sales in the Southwest, Southeast and West enabled **Dinty Moore** beef stew to increase market share in 1990. One of the Company's strongest brand names, **Dinty Moore** beef stew, continues its aggressive leadership of the category with network television commercials emphasizing its

longstanding nutritional benefits of only 240 calories and no preservatives in an 8-oz. serving.

In another nod to modern consumer preferences, **Dinty Moore** beef stew was introduced nationally in 10½-oz. microwaveable bowls following excellent test market results in Atlanta, Cincinnati and Michigan. By year-end, this venerable and best-known product, now in a contemporary package, had surpassed projected volume and reached 80 percent distribution.

Introduced in 1949, **Mary Kitchen** roast beef hash and **Mary Kitchen** corned beef hash ended the year ahead of 1989 volume and, in so doing, maintained its strong number one market share position. In October, the two cornerstone products were introduced into New York and Michigan in a 7½-oz. microwave bowl which is expected to enhance consumer acceptability and category leadership.

Hormel Homestyle bacon pieces, introduced nationally in 1990, attained first-year market share and volume growth expectations. Significantly, launching of this new product concept did not draw volume from or erode the

fine performance of the established **Hormel** bacon bits, nationally recognized leader in the real bacon toppings category.

Hormel meat snacks, including beef, pepperoni and salami sticks, beef jerky and teriyaki beef jerky, fared well in initial test markets. Attractive growth opportunities exist in the $300 million snack meat category which continues to be favored by demographic and lifestyle trends. In the sauce category, **Not-So-Sloppy-Joe** Sloppy Joe Sauce maintained its sales volume in a highly competitive market dominated by a select few national brand manufacturers. Sales of **Old Smokehouse** steak sauce remained flat in the two regions in which the product is marketed but planned increased distribution in 1991 will spur product revitalization and

aggressive marketing programs needed to produce improved results. **SPAM** luncheon meat, a flagship product that enjoys multinational popularity, was affected by persistently high raw material costs that increased retail prices. Although canned luncheon meat in the U.S. is a mature category, **SPAM** luncheon meat is able to maintain its

strong number one market share because of overwhelming brand name recognition and product appeal. Current strategies are to build upon the leadership position enjoyed in this category while seeking opportunities to leverage this widely recognized brand name with convenient new items such as **SPAM** breakfast strips marketed through the Meat Products Group.

This early production scene shows gelatin as it appears in spaghetti or noodle-like form.

Below: Gelatin is used in the production of the very popular "gummi-type" chewable candies.

The Industrial Products Division ushered in a new decade with a seventh consecutive year of record dollar sales and sales volume. The results were achieved by strong performances in all of the division's base businesses which serve the food, pharmaceutical, hair and skin care industries as a supplier of high-grade gelatin or specialized proteins.

Improvements at the Davenport (Iowa) gelatin/specialized proteins plant revolved around increased efficiencies and new equipment installations. A reverse osmosis system installed in the specialized proteins area provides for better concentration of product while the addition of a new spray drier allowed, for the first time, start-to-finish in-house manufacture of hydrolyzed proteins. In the gelatin area, a new state-of-the-art computer system enhanced early processing operations by supplying valuable information on flow rates and product volume.

The increasing foreign and domestic demand for gelatin-coated hard and soft capsules ensured that Company manufacture of pharmaceutical-grade gelatin kept pace in 1990 with record industry volume growth. The confectionery industry also continued to be a major source of gelatin sales, especially in the production of gummi bears, marshmallows and gelatin desserts. Complementing this business was the increased usage of gelatin in extra-light margarine products where the popularity of low-calorie, low-fat dairy spreads has created new sales opportunities.

COSMETIC PROTEINS

Demand for cosmetic proteins continued its upward surge. **Peptein 2000** hydrolyzed animal protein was enhanced by quality improvements that

made the product noticeably lighter in color.

Dermatein hydrolyzed mucopolysaccharides was marketed in the first quarter as a superior topical moisturizer at an economical price. **Peptein** hydrolyzed vegetable protein, introduced during the second quarter, has already captured widespread industry attention for its conditioning effects on hair and its ability to enhance sheen. **Protectein** propyltrimonium hydrolyzed animal protein, in its second year in the marketplace, was developed specifically to reduce irritation in skin care products. The milder attributes of the specialty protein have proven useful in bubble baths, hair permanents and anti-perspirant sticks.

Finecol 8000 hydrolyzed gelatin, used by many of the country's finest wineries as a clarifier and fining agent, increased its distribution base in 1990. Introduced one year earlier, this specialty protein liquid is also used in many juice and juice concentrate beverages.

MEAT STOCKS/BROTHS

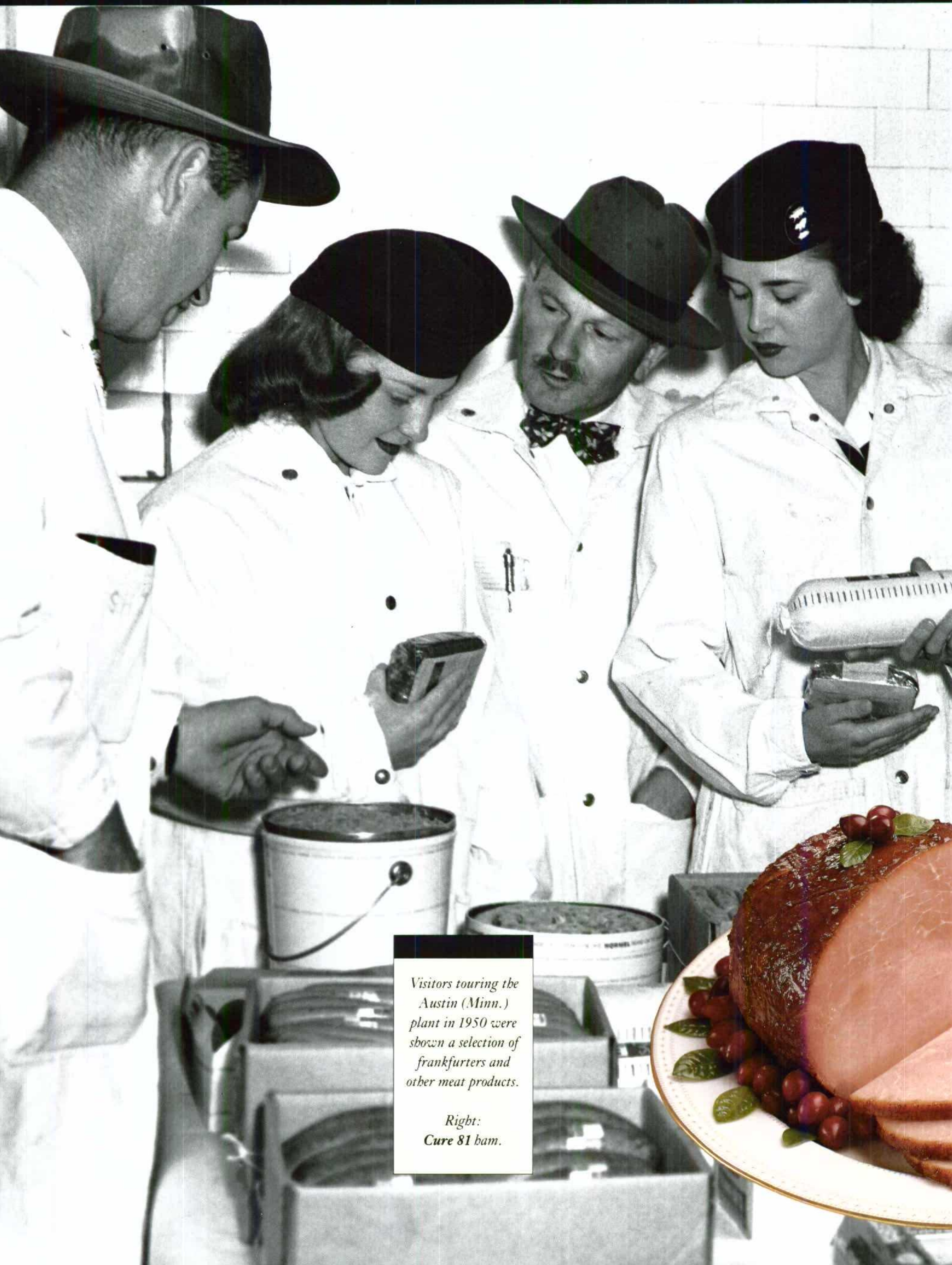
The introduction in late 1989 of a gourmet quality chicken broth was followed in March with an all-natural turkey broth alternative. Both were developed in response to consumer nutritional interests and join several successful forerunners — beef, ham, pork and meat (beef/pork) — in completing the Company's extensive family of stock/broth products.

Responding to a growing interest for stocks and broths without monosodium glutamate (MSG) and hydrolyzed vegetable protein (HVP), beef flavor B8 without these additives/ingredients was offered to food processors through the Company's **Building Blocks** concentrated meat stocks line. Introduced in May, this flavorful product was a major contributor to the 25 percent sales increase reported in 1990 by the **Building Blocks** concentrated meat stocks line.

PRIVATE LABEL PRODUCTS

Coretrate sugarless gelatin and **Coo 'N Fresh** pudding mixes continued to achieve strong gains among manufacturers of prepared, ready-to-eat refrigerated foods sold to retail chains and deli operations. Two new gelatin desse mixes — strawberry/banana and aprico — raise to 15 the number of flavored and unflavored sugarless offerings now available. **Cool 'N Fresh** pudding mixe on the strength of a newly developed base mix, ended the year with an impressive 40 percent sales volume increase.

Private label business also showed strong growth with retail food customers who expanded their lines of sugar-based and sugar-free gelatin desserts, instant and cooked puddings, instant hot cocoas and drink items. Fareway Foods, Inc., under the FASTCO brand, added the entire assortment of powdered drink mixes, introduced instant hot cocoa and extended their variety of gelatin dessert to include instant lemon and butterscotch pudding and cooked tapioca pudding. Texas T Discount Grocery added sugar-free gelatin desserts and instant puddings to their private label product family.

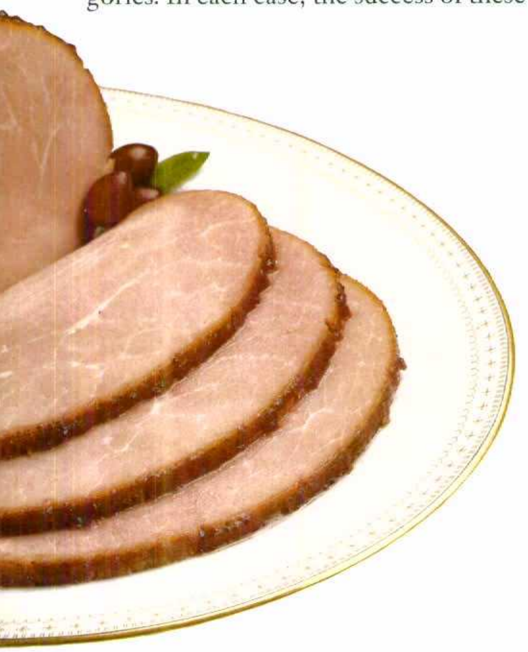


Visitors touring the Austin (Minn.) plant in 1950 were shown a selection of frankfurters and other meat products.

Right: ***Cure 81*** *ham.*

Product innovation, strategic line extensions and strong, longstanding brands combined to produce improved dollar sales for the Meat Products Division. Supporting this performance was the creative use of advertising techniques and media which contributed to improved distribution and successful sales and marketing programs. The effectiveness of these campaigns and strategies is evident by the fact that the unmatched position of major brands and the proven potential of new product introductions held firm despite intense pricing and space competition in the meat case.

Chicken **By George** prepared packaged chicken benefited during the year from the introduction of a companion line of Turkey **By George** prepared packaged turkey. **Black Label** bacon, offered in a smaller, lower salt package, and **SPAM** breakfast strips, a sizzling newcomer with 50 percent less fat than bacon, appealed to health-conscious families. **Cure 81** ham, adapted for smaller families and appetites; **Little Sizzlers** pork sausage, one of the best-known, preferred breakfast meats; **Light & Lean** franks, in its first year of national distribution, and **Hormel** pepperoni, supported by innovative, stand-alone displays, registered strong volume growth in their respective market categories. In each case, the success of these products reflects the Meat Products Division's commitment to serving the food industry and consumer with highly differentiated, quality foods.



A POWERFUL NEW PRODUCT

With the introduction of **SPAM** breakfast strips in May, the Meat Products Division is benefiting from the unrivaled strength and well-known enduring qualities of **SPAM** luncheon meat — one of America's icon products for more than 50 years. **SPAM** breakfast strips, produced from lean cuts of pork and containing 50 percent less fat than bacon, addresses increased consumer demand for lower fat foods. Now in four test markets, the unique taste of **SPAM** breakfast strips and the versatility of the product for any meal occasion has earned it virtually 100 percent distribution among wholesalers and a very promising sure-winner status among consumers. An advertising campaign built around humorous renditions of simulated radio newscasts and newspaper articles based on current events has helped build consumer interest and excitement.

Another very promising newcomer to the meat products portfolio is **Light & Lean** franks. In its first full year of national distribution, market response was nothing short of phenomenal. This truly unique product — 90 percent fat free and only 70 calories per frank — ranks number one in a fledgling category that has inspired nearly 45 new brands in less than two years. In addition, among some 1,400 items in the total hot dog product category, **Light & Lean** franks is number three in volume and number nine in distribution in the light frank category. An ambitious program of freestanding inserts, coupons and radio and television commercials, timed with major league baseball programming, contributed to the excellent performance.

Sharing this product category, **Wranglers** smoked franks, **Wranglers** smoked beef franks and **Wranglers** smoked franks with cheese were strong favorites among adult consumers who prefer the smoked and coarse-ground texture of these "grown-up" franks. **Wranglers** smoked franks is among the best-selling brands in the adult frank category.

OTHER HEALTHFUL FOOD CHOICES

Black Label bacon and **Hormel** microwave bacon are dual examples of Meat Products Division strategies aimed at meeting consumer preference for healthier, more convenient, smaller portioned foods.

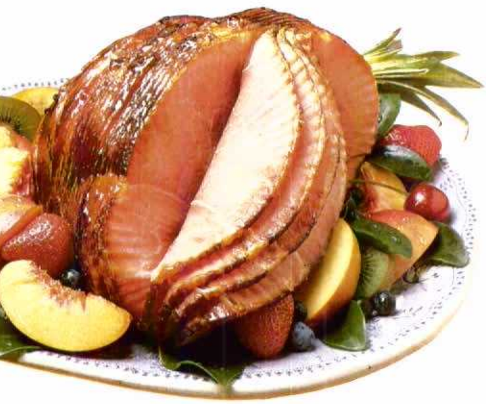
Early in the year, an 8-oz. package of lower salt **Black Label** bacon was developed expressly for the increasing number of one- and two-person households that currently represent about 45 percent of all consumers in the United States. The new size and 35 percent lower salt content gained immediate acceptance among convenience and health-oriented consumers, helping reinforce the number three position **Black Label** bacon enjoys in America's burgeoning bacon category.

Hormel microwave bacon performed well in eight test markets and plans are to extend distribution into approx-

imately 30 percent of the country by the end of the current year. **Hormel** microwave bacon won a *Food Processing* magazine award for innovative packaging in 1989; additional improvements and refinements have since been made to make it more environmental friendly.

A CONSUMER FAVORITE

Increases in pork raw material costs and subsequent higher retail prices did not take away sales of **Little Sizzlers** pork sausage, ensuring its decade-long leadership of the skinless pork sausage category. Creative sales incentives fueled outstanding sales and volume growth and special tie-in programs with grocers promoted breakfast meats during peak and nonpeak buying periods.



A NATIONAL LEADER

After 27 years of being the national leader in its category, **Cure 81** ham, **"America's First Name for Ham,"** became even better with the introduction of a 2 to 2½-lb. size for smaller families and smaller appetites. This **Cure 81** ham alternative is also 96 percent fat free — an added benefit for nutrition-minded homemakers and their families.

Late in the calendar year, a new "spiral-slice," bone-in **Cure 81** ham was developed and began its market rollout. Prepared in the old-fashioned way with slow cooking and curing, this specialty product is accompanied by a packet of prepared honey glaze for easy at-home preparation. The ham is expected to rival higher cost premium hams often sold and served on holidays or other special family meal occasions.

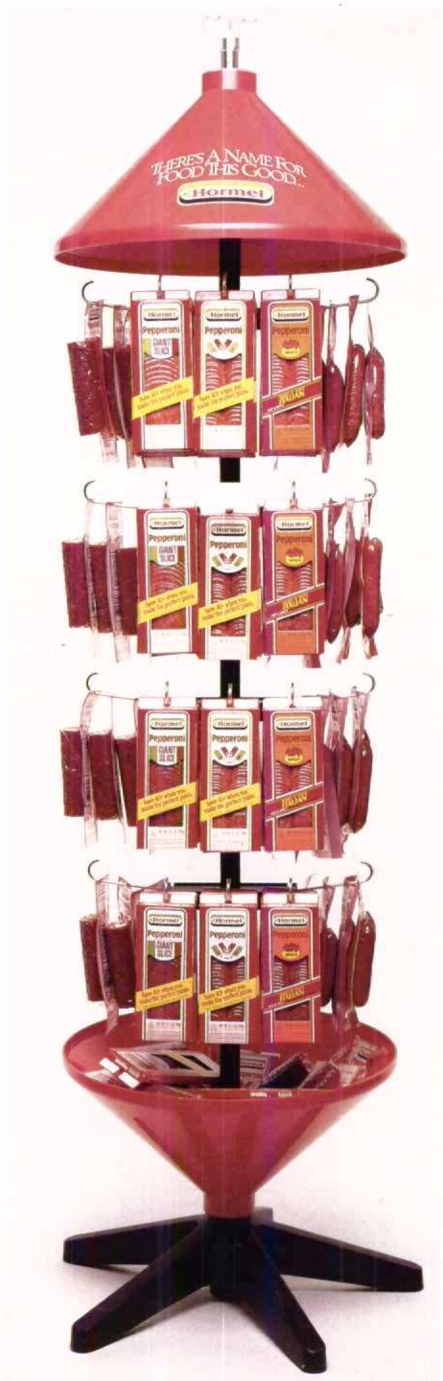
AMERICA'S FAVORITE PEPPERONI

Hormel continues to lead the prepackaged pepperoni market with its top performer, 3½-oz. wallet-pack **Hormel** pepperoni outselling its nearest competitor by a four-to-one margin. An innovative "pepperoni tree" rack allows retailers to make good use of previously unused floor space. This display idea successfully boosted **Hormel** pepperoni sales as much as 100 percent in some stores.

Sandwich Maker sausage, comprised of 6-oz. presliced varieties of **Hormel** pepperoni, **Homeland** hard salami and **Di Lusso** genoa, were introduced in response to the heightened interest by convenience-oriented consumers who prefer deli quality meats with authentic dry sausage flavor. **Sandwich Maker** sausage has great appeal for sandwiches and hoagies or as an addition to hors d'oeuvre, salad and Italian antipasto plates.

POPULARITY OF POULTRY

Building upon an extremely successful debut in January 1989 and an equally strong consumer reception as rollout broadened, Chicken **By George** prepared packaged chicken was moved into 15 additional market areas in 1990. The eight-item line of fresh, marinated chicken breasts is now available in 45 percent of the country. The distinctive



concept has met with such solid consumer approval that it has encouraged other food processors to introduce competing brands.

Determined to remain ahead of competitive advances, a family of Turkey **By George** prepared packaged turkey was introduced at the start of fiscal 1990. Now in 10 markets, the four-item line of lemon pepper, mustard tarragon, hick-

ory barbecue and Italian Parmesan varieties is quickly gaining important trade and consumer favor. Both Chicken **By George** prepared packaged chicken and Turkey **By George** prepared packaged turkey were supported by seasonal promotions designed to emphasize product versatility in summer outdoor grilling and holiday entertaining.

C-STORE STRATEGY

In its continuing commitment to developing an increased presence in the rapidly growing convenience store industry, attention in fiscal 1990 was given to expanding distribution of Company products into a market segment that is expected to number 110,000 stores by the year 2000. One successful endeavor involved the development of a specially designed program that provided C-store operators the opportunity to establish a fast-food hot dog business using **Hormel** franks and, as an attractive option, without a capital investment in roller grills, steamers or other hot dog cooking equipment. This very successful effort spurred sales of **Hormel** franks to the nation's convenience stores, resulting in a 120 percent increase over fiscal 1989.

The Company's **Total Convenience** service program tailors marketing strategies and displays to this industry and brings together all divisions — meat products, grocery products, frozen foods, foodservice and deli — in this all-encompassing effort.

UMBRELLA MARKETING

For the third consecutive year, the Meat Products Division gave emphasis to an umbrella marketing program in which multiple Hormel brands are combined and promoted in a single, unified campaign.

Noteworthy in fiscal 1990 was the second quarter promotion linked with the Company's cosponsorship of the *Family Circle* Magazine Cup women's tennis tournament. Four 30-second commercials on network television were heard by 11 million viewers. Two-page, four-color freestanding inserts carried cents-off coupons on selected Hormel products into 23 million homes. A full-page, four-color advertisement in *Family Circle* and *Tennis* magazines reached another 5.25 million homes and eye-catching point-of-purchase materials were distributed to 12,000 supermarkets and grocery stores. This large-scale promotion yielded increased sales and provided several months of timely, effective exposure for well-known brands of the Meat Products Division.

Hormel products are prominently displayed in this 1942 Seattle (Wash.) market.

Below: **Hormel** prosciutto ham.

The evolution of the Deli Division from the Dry Sausage Division in 1985 exemplifies the progressive vision of Geo. A. Hormel & Company. Anticipating the vigorous growth of the deli/fresh prepared foods market, the newly created Deli Division was able to expand its focus beyond traditional dry sausage products to ready-to-serve specialty items such as cooked hams, beef and poultry, prepared sausage and frozen prepared entrees. This sweeping change has led to five consecutive years of record dollar sales and tonnage volume.

But new strategies, however innovative and successful, need a strong foundation. For the Deli Division, it exists in nearly 100 years of Old World flavor and distinctive Hormel quality. Category leaders such as **Di Lusso** genoa, **Homeland** hard salami, **Hormel** prosciutto ham and the entire family of **Hormel** pepperoni continue a powerful tradition of excellence.

UPWARD GROWTH CONTINUES

A popular tonnage favorite within the $25 billion pizza category, **Hormel** pepperoni enjoyed record sales in fiscal 1990, keeping pace with unprecedented growth in the deli, foodservice and frozen pizza industries. The 8-oz. **Pillow Pack** pepperoni recorded double-digit sales growth as it has each year since its 1987 introduction. Other notable family members — **Hormel** pepperoni, **Hormel** hot & spicy pepperoni and **Hormel** giant slice pepperoni, all in consumer wallet pack, twin-link and 6-oz. chunk, **Rosa Grande** pepperoni, **Rosa** pepperoni, **Leoni Brand** pepperoni and **Leoni Grande** pepperoni — made significant sales contributions that enhanced the Company's preeminence as the nation's number one marketer of pepperoni.

Intent on building upon the success of **Pillow Pack** pepperoni, the line was expanded in the year to include three longtime consumer favorites — **San Remo Brand** genoa, **Leoni Brand** pepperoni and **Homeland** hard salami. Traditionally sold in stick form, the introduction of these popular deli meats conveniently presliced in a **Pillow Pack** pouch provides consumers with a popular alternative when preparing sandwiches, hoagies, hors d'oeuvres, Italian antipastos or salads.

The Performance Toppings, a line of meat toppings sold to delis, pizzerias and manufacturers of frozen pizzas, again experienced record sales and volume levels. Consisting of **Hormel** pepperoni, Italian sausage, bacon, Canadian bacon, ham, sausage and beef varieties, sales of The Performance Toppings line soared 25 percent above 1989. Within this group, smoke-cured bacon developed into an important contributor to total volume growth because of the growing popularity for bacon cheeseburger pizzas by major pizzeria chains and their customers.

COOKED DELI MEATS

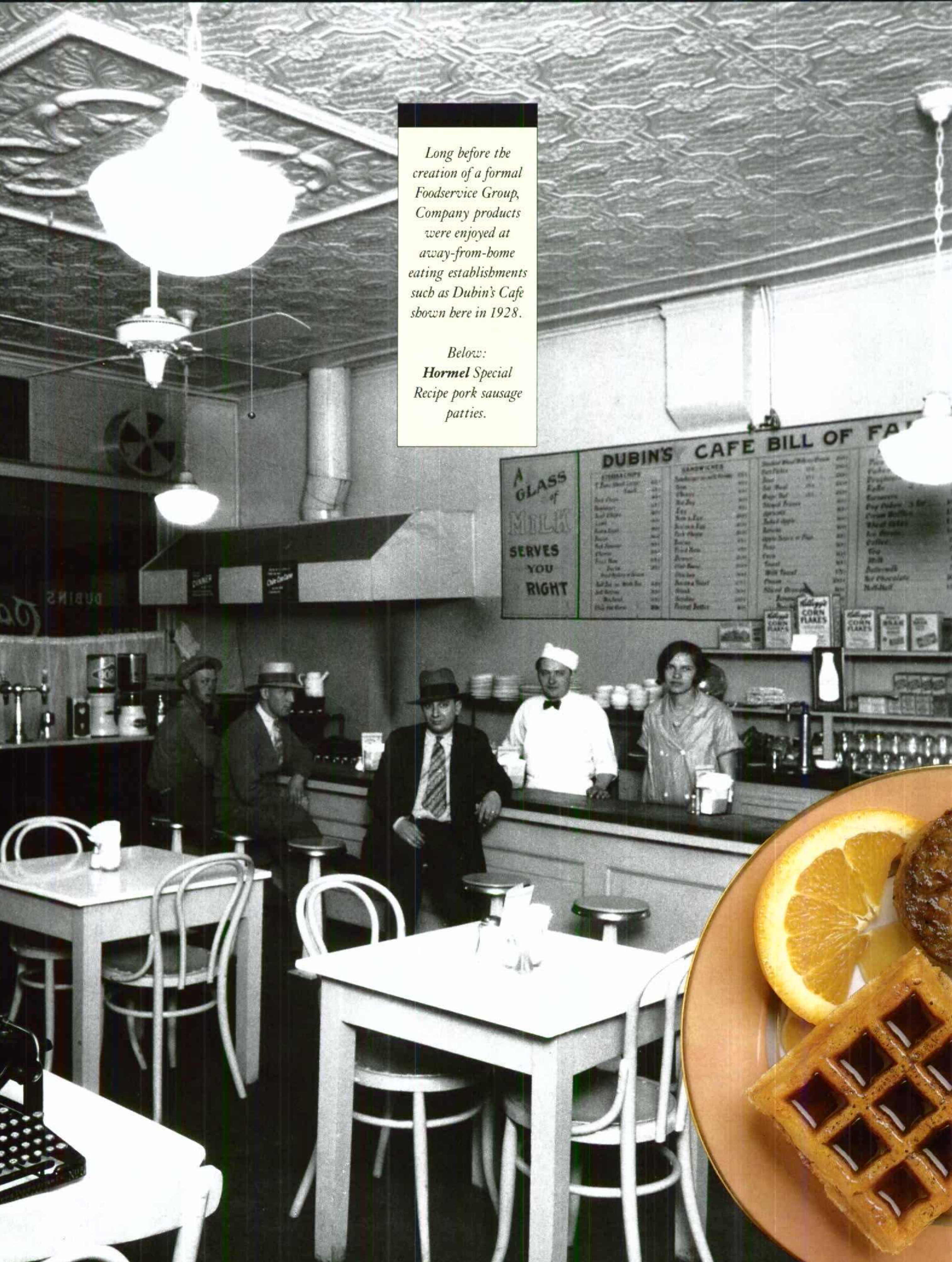
The top-selling meat item in service delicatessens is ham which has long been a backbone product of the Deli Division. **Hormel** cooked hams continued to show exceptional volume trends with an increase of 30 percent in 1990. The 95 percent fat-free and 25 percent less-salt varieties contributed to the impressive growth, marking seven consecutive years of record sales for the multi-item line. In the third quarter, **Hormel** smoked honey cured ham was introduced nationally with promising results. Targeted sales levels were surpassed with distribution extending well beyond initial expectations.

Hormel 96 percent fat-free mesquite smoked turkey breast, a leader in the poultry line since its 1986 introduction, produced sales gains of 25 percent. **Hormel** smoked chicken breast also showed significant volume growth following its first full year in the marketplace. The entire lineup of cooked poultry products finished with another record year in dollar sales volume.

Early in the year, five cooked in the bag bulk luncheon meats — chopped ham, spiced luncheon meat, pork luncheon meat, ham & cheese and **Black Label** spiced luncheon meat — were introduced. This was followed in the fourth quarter with three 25 percent reduced salt varieties. Plastic packaged to provide a unique point of difference, this line of bulk luncheon meats offers the same great taste and performance as the Company's canned counterparts but in easy-opening, easy-handling form for deli and foodservice operators.

SUPPLIER RECOGNITION

In March, in recognition of its quality products and service, the Deli Division was presented with the 1989 "Supplier of the Year" award by Little Caesars and Blue Line Distributing, Inc., a nationwide pizza chain and its distribution subsidiary. Commissary managers of Little Caesars, its franchise owners and corporate personnel voted for the supplier whose products and service best conformed to the requirements of the world's largest carryout pizza chain.



Long before the creation of a formal Foodservice Group, Company products were enjoyed at away-from-home eating establishments such as Dubin's Cafe shown here in 1928.

*Below: **Hormel** Special Recipe pork sausage patties.*

The creation of a Foodservice Group late in fiscal 1990 marked an important step forward in Geo. A. Hormel & Company's drive to become a dominant, one-source supplier to the flourishing $240 billion away-from-home marketplace. The former Foodservice Division operated as part of the large Meat Products Group, sharing management, sales and administrative staffs, where major emphasis centered around the Company's principal business — retail development. The reorganization allows the newly formed Foodservice Group to focus its attention exclusively to creating new growth opportunities among all segments of the industry from full-service family restaurants to school cafeterias and industrial plants and offices.

Indicative of the heightened intensity given to the new foodservice initiative was the formation of five sales regions that ensure the Company of establishing a national presence coast to coast. Fourteen area and three district managers, complemented by an experienced sales force and selected brokers, provide the foundation for greater responsiveness to the foodservice industry. At the corporate level, alignment of marketing functions and staff sharpens the Company's ability to develop and introduce new products and revise strategies swiftly and efficiently to meet changing lifestyle trends.

The new Foodservice Group is seen as the catalyst to further accelerate what has long been a highly successful Company business segment. In fiscal 1990, Hormel foodservice attracted new regional and national accounts, introduced a selected number of new product innovations, pursued significant growth of its well-known core brands and developed effective new marketing and promotional programs. This combination produced record dollar sales and tonnage volume for the year.

The preference by foodservice operators and their discriminating customers for healthful foods offering convenience, variety, affordability and excellent taste — and the Company's well-established association with these qualities — resulted in strong volume increases for precooked bacon in round and strip slices. The opening of two new

fast-food chain accounts helped spur the improved performance and strengthen the Company's already solid reputation as a full-line supplier of premium-quality bacon. The speedy preparation, convenience and exact portioning and reduced in-store labor and energy savings provided with **Hormel** precooked bacon are compelling benefits attractive to foodservice operators.

The insatiable demand for pizza has also opened renewed growth opportunities for precooked bacon. Although bacon has long been a popular meat topping, movement by independent pizzeria operators and convenience stores to offer new varieties that are fresh and interesting has rejuvenated demand for the appealing product. The cornerstone meat topping, whether enjoyed dine-in or carryout, is indisputably pepperoni.

Hormel pepperoni, the time-tested, number one brand in all market segments — retail, deli and foodservice — set records of its own, surpassing last year's dollar sales and tonnage volume despite increased competitive activity.

Special Recipe pork sausage links and patties completed their first full year in nationwide distribution with impressive results. The new varieties respond to the demand by family and upscale restaurants and fast-food chains for convenient, top-quality breakfast sausages high in value and taste appeal. A precooked alternative to **Special Recipe** pork sausage, offering microwave or other quick reheating convenience as its major point of difference, is scheduled to make its market debut early this year following extensive market testing to verify quality attributes and performance.

STRONG BRAND LEADERSHIP

The broadly based strength of established brands — **Fast'N Easy** precooked bacon, **Cure 81** ham, **Di Lusso** genoa, **Leoni Brand** pepperoni and **Homeland** hard salami — was evident in fiscal 1990 as these and other longtime favorites continued to perform well. Foodservice advertising and promotional programs sustained the dominant share position of these bellwether brands.

Continued participation in national, regional and local distributor food shows enhanced the Company's reputation as a preferred industry supplier. Attesting to the valued partnership enjoyed with distributors, Hormel foodservice was selected by *Institutional Distribution* magazine as the number one supplier of processed meats for the fourth consecutive year. This industry-wide trade recognition is a fitting tribute to the Company's commitment to foodservice and the success of its total effort.

Refrigeration was of the most primitive sort in the Company's early years. Employees would handsaw and remove cakes of ice from the Red Cedar River near the Austin (Minn.) plant. This scene was taken in 1921.

Below: ***New Traditions*** *bacon cheeseburger.*

At a time when Geo. A. Hormel & Company was ending its first century as an innovative food processor, its four-year-old Frozen Foods Division was gathering momentum for the next 100 years, refining and expanding product lines and establishing a key niche as a quick meal supplier. In so doing, specific focus was given to a tightly orchestrated line of 21 items, including **New Traditions** breakfast and dinner sandwiches, **Hormel** corn dogs and **Hormel** burritos.

A new marketing strategy helped the Frozen Foods Division consolidate business and gain new distribution. This concept, implemented in June, is known as the Quick Meal product section. It brought together into one dynamic display area in the retail freezer case the wide array of frozen biscuit, muffin and bun sandwiches. A Quick Meal product section encourages one-stop shopping for the consumer and takes advantage of the high percentage of unplanned purchases that dominate sales in this $350 million category. The program uses a specially prepared video and sales presentation to illustrate how a Quick Meal product section in the retailer's freezer case can accommodate impulse buyers and increase sandwich volume.

New Traditions cheeseburgers, **New Traditions** bacon cheeseburgers and single-serve **Hormel** corn dogs have performed very well under the Quick Meal product umbrella. Sales of **New Traditions** sausage, egg and cheese muffin and **New Traditions** sausage and cheese biscuit improved dramatically when moved from a "breakfast" category to the more mainstream Quick Meal product section.

NEW PRODUCT ADDITIONS

The **New Traditions** sandwiches line was expanded in 1990 with two new microwaveable items — **Hormel** chili dog with cheese and **Hormel** hot chili dog with cheese. A natural complement to the frozen sandwich line, the two chili dog varieties combine the nation's number one chili with a great tasting **Hormel** frank in a homestyle bun topped with dairy fresh cheese.

In the fourth quarter, the beef patty for **New Traditions** dinner sandwiches was improved with more charbroiled flavor and enhanced homemade texture adding to overall quality. The entire lineup of biscuits, muffins and buns was reformulated to increase microwave tolerance with the result that all **New Traditions** breakfast and dinner sandwiches can now be prepared using a single microwave setting. Package instructions were updated to reflect this improvement.

INNOVATIVE MARKETING

Much of the Frozen Foods Division's fiscal 1990 performance was due to strong national and local marketing efforts which were paired with aggressive regional merchandising and trade programs. In January, a Super Sunday promotion for **New Traditions** sandwiches proved to be an outstanding

success. Magazine and television advertising supported the promotion while four-color, full-page freestanding inserts (FSIs), offering 40 million 25-cent coupons, complemented the buy-one, get-one-free rebate forms available at store level.

In the spring, an exciting promotion with the National Basketball Association (NBA) featured a "Basket Full of Savings" on many of America's best-known consumer products, including **New Traditions** sandwiches. In June, half gallons of ice cream were offered free with accompanying purchases of **New Traditions** sandwiches. This was followed by a Hormel-conceived "National Sandwich Month" promotion in August.

Late in the fiscal year, the Frozen Foods Division combined with the Grocery Products Division to warm up autumn with a microwave soup and sandwich sale, offering one **Micro Cup** soup free with the purchase of any two **New Traditions** sandwiches. Advertising and merchandising support included point-of-purchase display and in-store and newspaper coupons.

SPECIALTY FROZEN FOODS

Hormel corn dogs have benefited in recent years from increased consumer and trade promotions to emerge as a major contributor to total frozen foods sales. This very favorable growth pattern continued in 1990 when a 30 percent increase in sales volume was realized. A companion product, a jumbo 4-oz. **Hormel** corn dog, has helped expand retail distribution and sales of the line. **Hormel** burritos, available in three spicy mixtures, beef, cheese and red chili, also scored important sales gains, attributed, in part, to the popularity of Mexican foods and the positioning of the product into the Quick Meal section of the supermarket and convenience store.

***Jennie-O** turkey has been a Thanksgiving Day feast for more than 40 years.*

Right:
***Jennie-O** turkey and fresh fruit salad.*

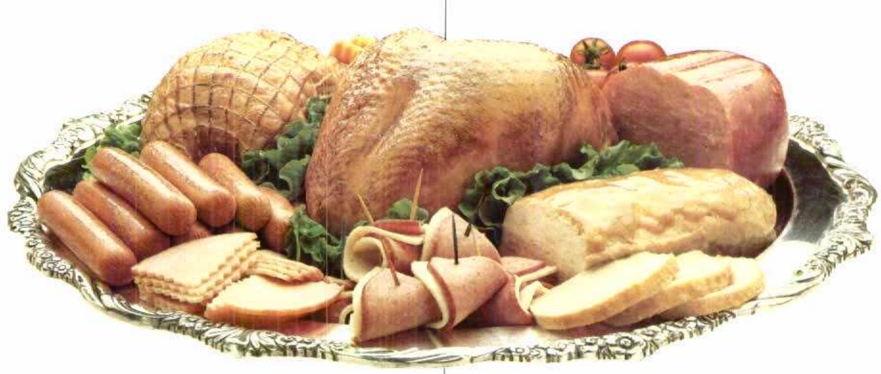
In its first century, Geo. A. Hormel & Company has devoted attention to identifying and pursuing opportunities which expand the corporation's product lines or complement its business framework. Principal subsidiaries such as Jennie-O Foods, Inc., Willmar, Minn.; FDL Marketing, Inc., Dubuque, Iowa; Farm Fresh Catfish Company, Hollandale, Miss., and Catalogue Marketing, Inc., San Jose, Calif., are compatible with the Company's core business and offer significant growth potential for the future.

JENNIE-O FOODS, INC.

Expanded distribution in both foodservice and retail markets, combined with strong, innovative new product introductions, contributed to a 20 percent volume increase for Jennie-O Foods, Inc., in fiscal 1990. Unique among the many new products moved into the marketplace is **Jennie-O Turkey Express** mini-roast — the first turkey product of its kind that is microwaveable. The three 16-oz. varieties — turkey breast with gravy, breast and dark turkey meat with gravy and dark turkey meat with gravy — require only 20 minutes of microwave preparation.

Jennie-O turkey breast entrees, introduced in October, are stuffed with cheddar or Swiss cheese and bacon, turkey ham or broccoli, providing an unequaled taste sensation and a new way to enjoy turkey. The eight-item line, developed for convenient microwave use, has already earned encouraging retail movement in the short time it has been available. A fiscal 1989 introduction — **Jennie-O** turkey breast in hickory smoked or oven roasted varieties — moved into national distribution following gratifying consumer acceptance. Strong media support, including a 30-second television commercial which promoted quality attributes of the individually inspected and registered quarter breasts, helped to expand the appeal of this distinctive product line. **Jennie-O** turkey meat loaf and Mexican-style **Jennie-O** turkey meat loaf, two additions to the **Jennie-O** turkey pan roast family, exceeded first-year volume expectations. Designed to taste like homemade meat loaf, both items substitute lean turkey for ground beef which offer consumers the assurance of exceptional flavor and high nutritional value.

In March, Jennie-O Foods introduced into retail markets a new family of sliced lunch meats. Produced from 100 percent pure turkey meat and bearing a "fat-free" statement to appeal to health-conscious consumers, **Jennie-O** sliced meats include ham, bologna and salami in 12- and 16-oz. sizes. For the foodservice trade, sliced turkey breast and a combination pack of sliced turkey ham, bologna and salami lunch meats was developed. Other foodservice/deli additions included a natural breast steak and four marinated breast steaks — mustard tarragon, Italian Parmesan, hickory barbecue and lemon pepper — all in 5-oz. portions. Under the **Festive** brand label a whole hen breast with wings was marketed into the Southeast and East Central regions where this type of specialty product enjoys its greatest popularity.



Later in the year, a frozen 16-oz. ground turkey chub was launched in Minnesota and Wisconsin markets. A popular replacement for ground beef, **Jennie-O** ground turkey chub is 90 percent fat free. A large 10-lb. ground turkey chub distributed to foodservice accounts addresses their special needs for volume servings.

FDL MARKETING, INC.

Timely product introductions, heightened promotional activities and an expanded retail broker network ushered in a new decade of growth and opportunity for FDL Marketing, Inc. While increases in the cost of pork raw materials posed significant challenges which resulted in reduced tonnage volume, dollar sales increased six percent due to higher costs for finished product.

Colorful marketing tools, including posters, hats, aprons, buttons, stickers and danglers, added a bright and whimsical touch to the May 1990 debut of

Kids Deli luncheon meats. Available in loaf or 8-oz. pegboard package, the unique concept behind Kids Deli luncheon meats is the delightful happy face, pinwheel and heart design that appears on each slice. The three playful varieties appeal to children who are attracted to the luncheon meat and deli counters by the charm and fun of the animated faces and shapes. Homemakers appreciate the lower fat, lower salt nutritional benefits as well as the no fillers or artificial coloring aspect of the all-meat Kids Deli loaves.

In July, **Royal Buffet** cooked beef top round, **Royal Buffet** pastrami round and **Royal Buffet** corned beef round were offered to deli operators in Florida, joining an upscale line of hams, bacon and sausage. Distribution of the products was broadened during the year and geographic expansion, coupled with strong advertising and promotional programs, built consumer awareness and spurred volume gains. For retail and deli sales, a **Dubuque** Supreme fully cooked, boneless pork roast made its initial market appearance in September. Available in half or whole form, the new addition is a companion to the pork loin roast introduced last year under the same brand.

Dubuque Fleur De Lis ham, a trusted and well-known product mainstay, was moved into New Orleans, La., Chicago, Ill., and Des Moines, Iowa, markets in a new half-size version. The 6-lb. average weight is expected to increase year-round sales and appeal among smaller families and single-person households who appreciate the lower unit cost and convenience of fewer portions. **Dubuque** Supreme mini ham, both lean and lower salt varieties, enjoyed a 30 percent sales increase in 1990 due to an umbrella marketing program which spotlighted these and other popular brands under a new Golden Oval Supreme label. In the third quarter, an 8-oz. version of sliced **Dubuque** Supreme ham was introduced. A 4 x 6

lite sliced honey ham and 4 x 6 sliced chopped ham will begin distribution during the Company's current first quarter. **Dubuque** Supreme lite ham slices is a departure from the standard sliced cooked ham in that it has two 4-oz. ham steaks per package. This product is 98 percent lean with only 25 calories per ounce.

The successful introduction in late 1989 of **Dubuque** Supreme pan size bacon provided a springboard for wide-

spread acceptance and sales growth throughout 1990. Leaner than conventional bacon and sandwich-sized for cooking convenience in skillets and microwave pans, **Dubuque** Supreme pan size bacon is a concept that fully meets consumer preferences for ease in preparation.

FARM FRESH CATFISH COMPANY

Sparked by an increase in seafood consumption and new techniques in production and processing, catfish has become one of the top five most popular seafood species consumed in America. This growing appetite for freshwater, farm-raised catfish was reflected at Farm Fresh Catfish Company where emphasis was given to expanding distribution and developing new, value-added products that would help offset intense competition associated with the production and marketing of high-volume, low-margin commodity items. Of the commodity-type products, sales of fresh ice pack catfish increased significantly, helping balance the lower margins and competitive pricing of frozen whole catfish and catfish fillets. Fresh ice pack whole catfish sales rose seven percent while ice pack catfish fillets jumped nine percent.

Bake or broil breaded whole catfish and catfish fillets were introduced to retail and foodservice markets in June. Also making their market debut in 1990 were Jalapeno breaded catfish strips in a 10-strip tray pack or bulk layer pack for foodservice; Fajita seasoned catfish strips to satisfy consumer taste preferences for Mexican-flavored foods, and Cajun breaded catfish strips with its mixture of hot and spicy seasonings that are a favorite in the deep south.

Farm Fresh Seasoned Select entrees were reintroduced during the year in a new, convenient microwaveable/baking tray in exact-weight, 5-oz. portions that offered a more attractive retail price. Two new flavors — lemon pepper and butter and garlic — will be marketed in 1991. They will join the five forerunners to the Seasoned Select entrees line — barbeque, mesquite, blackened, Cajun and lite lemon.

Continued efforts to reduce operational costs resulted in the closing and sale of the Greensboro, Ala., plant. This enabled Farm Fresh Catfish Company to centralize shipping operations and increase processing volume at the Hollandale, Miss., and Lake Village, Ark., plants.

CATALOGUE MARKETING, INC.

Direct mail marketers of specialty food and nonfood items, Catalogue Marketing, Inc., recorded increased sales in fiscal 1990 while continuing to

provide customers of **Austin Street Market, Mission Orchards** and **Susan Green's California Cuisine** catalogues with products and service of the highest caliber.

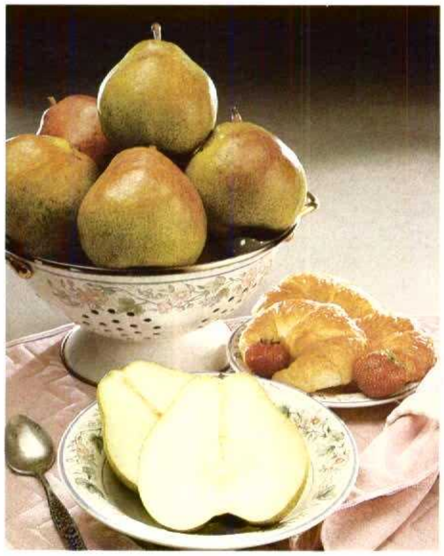
The August acquisition of the S. E. Rykoff & Co. mail-order operation from Rykoff-Sexton, Inc., a Los Angeles, Calif.-based foodservice firm, served to increase the market position and image of Catalogue Marketing, Inc. Featuring the widest range of restaurant quality foods, seasonings, distinctive cookware and accessories, S. E. Rykoff & Co. will provide year-round business opportunities which will complement the more seasonal, gift-oriented product mix of other Company catalogs.

A fourth quarter agreement with Alex R. Thomas & Co., Inc., tripled pear and apple packing capabilities for the fall 1990 harvest. The addition of efficient and highly specialized packing equipment increased yield and improved overall quality by assuring delicate handling of the **Crown Comice** pear, Red Delicious apples and other popular fruits.

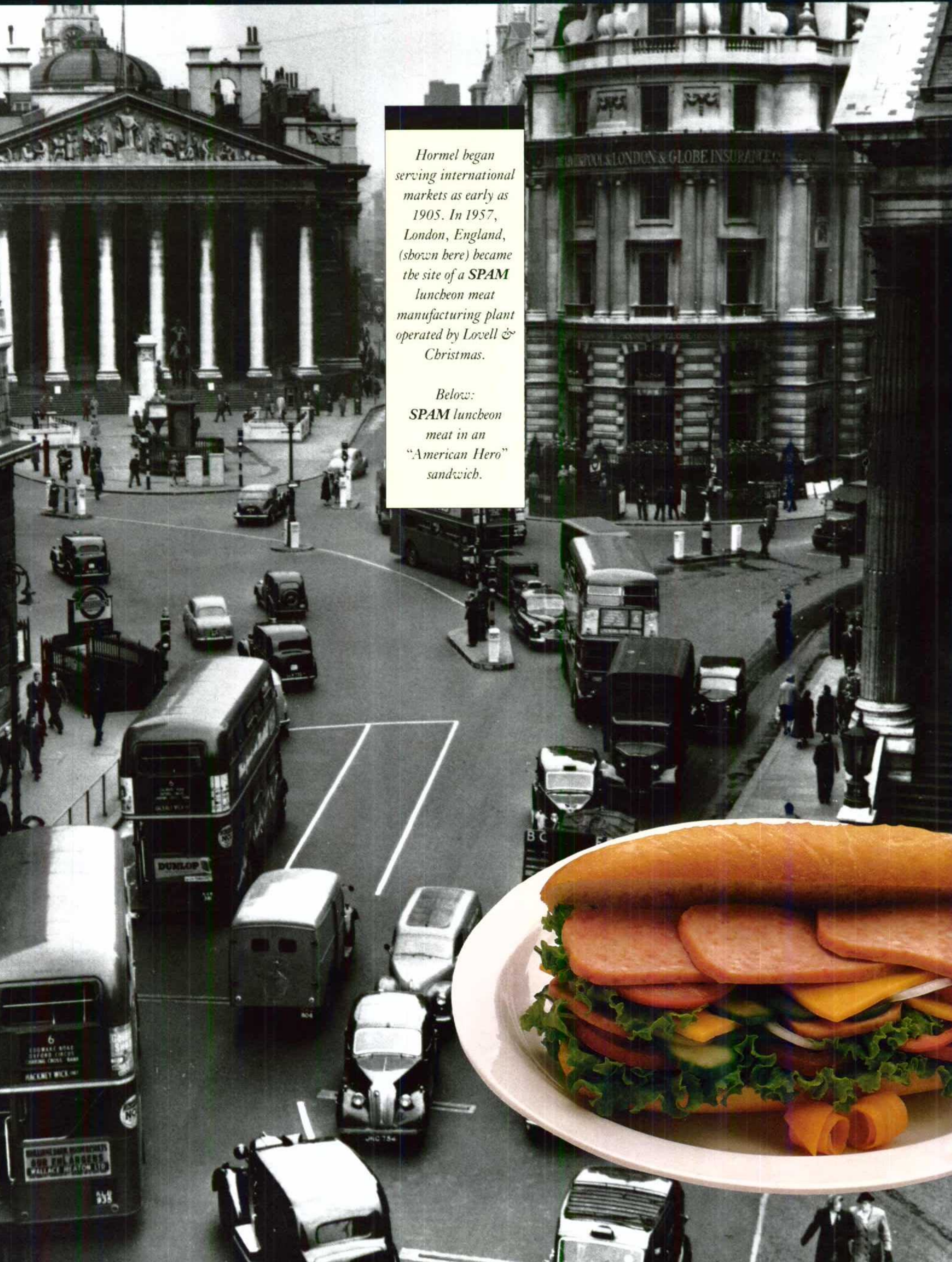
A new edition of **Susan Green's California Cuisine** catalogue emphasized popular western and southwestern products such as hot chili oil, coyote nuts, tamales, salsa and picante sauces. **Hormel** barbecue spare ribs and an Old West cinnamon roll mix experienced outstanding sales while San Francisco sourdough bread demonstrated its popularity by doubling sales in 1990.

The **Fruit For All Seasons Club** in **Mission Orchards** catalogue recorded double-digit growth while a new "Tasteful Tower" selection, comprised of packages of **Crown Comice** pears, apples, mixed chocolates, pistachios and dried fruit, drew attention as an excellent business gift.

Austin Street Market increased its offerings with an elegant banquet dinner selection, featuring mini-quiche appetizers, a whole precooked turkey, cornbread stuffing, croissants and fresh peach cobbler, that provided a complete holiday meal by mail. The introduction of a honey cured, smoked, ready-to-serve whole suckling pig generated



business gift interest while a new section, entitled "Meals in Minutes," featured both exotic and familiar convenience foods, including an assortment of **Micro Cup** shelf-stable soups and entrees, spinach and mushroom strudels, Chicken **By George** prepared packaged chicken, **Hormel** barbecue spare ribs and a crabmeat pie.



Hormel began serving international markets as early as 1905. In 1957, London, England, (shown here) became the site of a ***SPAM*** *luncheon meat manufacturing plant operated by Lovell & Christmas.*

Below: ***SPAM*** *luncheon meat in an "American Hero" sandwich.*

Fiscal 1990 proved to be a strong performance year for Hormel International Corporation (HIC) with expansion and acquisition highlighting the eve of the Company's Centennial observance.

Significantly, the Company entered into a wholly owned venture outside the United States with the acquisition of Parkin Food Products, Ltd., based in South Kirkby, England. This relatively new and small entrepreneurial business services retail, foodservice and institutional accounts with a variety of shelf-stable microwaveable pasta, fish and meat entrees.

During the year, new brokers were selected to represent Hormel International Corporation. FOOD O RAMA, based in Stockholm, Sweden, began importing **Top Shelf** main dish entrees, **Micro Cup** shelf-stable soups and entrees and **Hormel** chili and **Dinty Moore** beef stew in microwaveable bowls. Fifteen **Top Shelf** main dish entrees made their market debut in Hungary through an upscale chain of 25 supermarkets. In Poland, **SPAM** luncheon meat was sold to major independently owned stores and was also introduced into two additional Eastern European Bloc countries — Czechoslovakia and Romania.

Top Shelf main dish entrees and **Micro Cup** shelf-stable soups and entrees are viewed as having great growth potential in Canada's progressive food distribution industry. Export sales could begin as early as the first quarter of fiscal 1991. A new agent relationship will lead to the introduction in the second quar-

ter of **SPAM** luncheon meat, **Micro Cup** shelf-stable soups and entrees and selected foodservice products into the heavily populated Hong Kong marketplace.

HIC again exported large sales tonnage to Hormel Limited (Japan) and Tohzai Sangyo Boeki Co., Ltd., with **SPAM** luncheon meat enjoying another solid year. Turkey wieners, produced in Okinawa, exceeded all volume expectations. Tohzai Sangyo Boeki Co., Ltd., realized tremendous growth in the sale of **Jennie-O** turkey products, doubling 1989 growth with such popular items as whole birds and turkey pastrami.

In Korea, Cheil Foods 'n Chemical of Seoul recorded the strongest dollar sales performance ever for **SPAM** luncheon meat. Targeted royalty goals were achieved following excellent holiday gift sales and improved retail distribution.

Pure Foods Corporation, Manila, Philippines, ended the year with another record performance. Three varieties of **Frank 'N Stuff** franks — chili, cheese and spaghetti sauce — were introduced early in the fiscal year. **Top Shelf** main dish entrees and **Micro Cup** shelf-stable soups and entrees garnered widespread attention at an Australian international food exhibition in which HIC licensee, Darling Downs Co-operative Bacon Assn., Limited, participated. Export sales of these products will begin in 1991. **SPAM** luncheon meat and the less salt variety of **SPAM** luncheon meat continue to gain major acceptance in the marketplace.

HIC's authorized distributor for Singapore and Malaysia quadrupled sales in 1990, selling impressive quantities of Hormel processed meats, canned and microwaveable foods, **Jennie-O** turkey and **Farm Fresh** catfish fillets. In Panama, Blue Ribbon Products, S.A., expanded production of Hormel-branded beef, pork and turkey products while giving increased emphasis to importing other value-added turkey items under the **Jennie-O** brand. Several domestic canned meat leaders — **SPAM** luncheon meat, **Dinty Moore** beef stew, **Hormel** chili and **Hormel** Vienna sausage — enjoyed double-digit volume increases.

The continued relaxation of duties and import restrictions in Mexico helped strengthen the position of Hormel-branded products. As a result, sales of **SPAM** luncheon meat increased 30 percent and **Top Shelf** main dish entrees showed a strong eightfold improvement.

The Company's English licensee finished the year with another solid performance. Sales of **SPAM** luncheon meat and **SPAM Spreaders** meat spreads rose 15 percent. A new advertising campaign, involving a unique mountain bike offer and **SPAM** luncheon meat "Gang '90" promotion, sought to increase awareness and usage of the product among the large English teenage population.

Pacific Wholesalers, Tamuning, Guam, a division of one of Hawaii's largest companies, continues to be the leading volume distributor of **SPAM** luncheon meat on a per capita basis. Sales to Guam, Saipan and the Trust Territories in the Pacific show impressive yearly increases. Creative marketing strategies, such as **SPAM** luncheon meat recipe contests and product giveaways with microwave and automobile purchases, have been instrumental in developing sales.

This photograph appeared in Fortune *magazine in 1937 and shows employees performing pork processing operations.*

Right: Italian Bleu Cheese Chicken ***By George*** *prepared packaged chicken.*

For over four years, the Quality Improvement Process (QIP) has interwoven the fabric of corporate and in-plant performance by using enhanced communications and teamwork as the basis for identifying and achieving established quality objectives. The broad participation this program has produced is best evidenced by more than 4,000 employee suggestions submitted to management since QIP implementation in June 1986. During this same period, failure costs — expenses incurred when quality requirements are not met the first time — declined more than 40 percent while labor efficiency improved 10 percent due to reductions in rework and lost time.

AUSTIN, MINN.

Several small and large solutions to conserve water — such as adding restrictors on hoses, recycling and finding new ways to cool machinery — led to the saving of 400,000 gallons per day. Approximately six percent, as many as 60,000 casings each year, were breaking during stuffing operations involving **Di Lusso** genoa. By developing and communicating clearer casing requirements, which resulted in changes in the width and amount of material in each stitch, the breakage was reduced to two percent and produced savings approaching $50,000.

An outstanding success in waste recycling was accomplished at the Print Shop and Graphic Arts Departments. Cardboard boxes are now resold to the manufacturer; paper is reused or shipped to a local recycling center, and ink is saved and reused in printing presses.

Leticia Lopez highlights a quality success story achieved in her San Antonio (Texas) grocery products sales district.

DAVENPORT, IOWA

Employees at the gelatin/specialized proteins plant were able to improve raw material delivery schedules. This led to reduced spoilage, improved quality and an annual savings exceeding $30,000.

FREMONT, NEB.

SPAM Luncheon Meat Department employees significantly reduced the number of lightweight cans rejected by the automatic checkweigher during the filling process. The corrected problem involved water temperature variations in filling machines. The result is a noticeably smoother operation with 300 fewer cans per week being rejected by an automatic checkweigher.

OKLAHOMA CITY, OKLA.

Night Sanitation Department employees operated for 12 consecutive weeks without a production delay related to sanitation deficiencies. During this period, they had 626 consecutive acceptable sanitation swab tests, all of which confirmed the soundness of their departmental cleaning efforts. This outstanding sanitation record earned them recognition as "Quality Department of the Year" at the Oklahoma City foodservice plant.

SUPPLIER QUALITY MANAGEMENT

QIP has also accelerated Company/supplier quality management efforts. In the Corporate Transportation/Distribution Division, truck turndowns (when a carrier declines a load) decreased from 15 percent in 1987 to seven percent in 1989. In addition, during this same period, the number of truckloads that sustained loss or damage declined from 877 to 639. This improvement was achieved at a time when truckload numbers increased 25 percent.

At Dold Foods, Inc., Wichita, Kan., employees Joel D. Baker, Stephen Z. Gosche, Bobby J. Lane and Jeffrey A. Nuytten were able to reduce casing breakage affecting **Curemaster** ham. Working with the supplier, a sizing ring on casing tubes was identified as the problem. The change to a new ring size has reduced the breakage from 4.5 percent to 1.5 percent which represents a significant savings to the Company.

Metro New York employees Dana-Lynn Pauze, Gayle B. Jarema and Laurie E. Pazik present a musical performance at their ZD-Day celebration.

EMPLOYEE PARTICIPATION

One valuable function of QIP is that the opportunity and responsibility for improvement are placed in the hands of those who best understand the process — Company employees.

Sandra J. Bonnes, secretary for Vehicle and Travel Services in Austin, suggested that key chains for Company-leased vehicles have the fleet and unit number printed on them. Grace Armstrong, Stockton, Calif., employee, proposed reusing plastic chili powder liners inside barrels needed on the **Hormel** tamales line. At Beloit, Wis., Vicki L. Carlson's idea was to purchase ravioli in tote bins. These seemingly small suggestions helped to reduce waste, duplication, inefficiency and sheer hassle while other important intangibles, employee involvement, product quality and consumer loyalty were strengthened.

Board Chairman H. H. Corey addressed the 1958 Annual Meeting of Stockholders which was traditionally held in the large one-room office area of the Austin (Minn.) plant.

*Right: **Hormel** chili — America's number one selling brand.*

CORPORATE HEADQUARTERS
Geo. A. Hormel & Company
501 16th Avenue N.E.
P.O. Box 800
Austin, Minnesota 55912
(507) 437-5611

INDEPENDENT AUDITORS
Ernst & Young
1400 Pillsbury Center
Minneapolis, Minnesota 55402

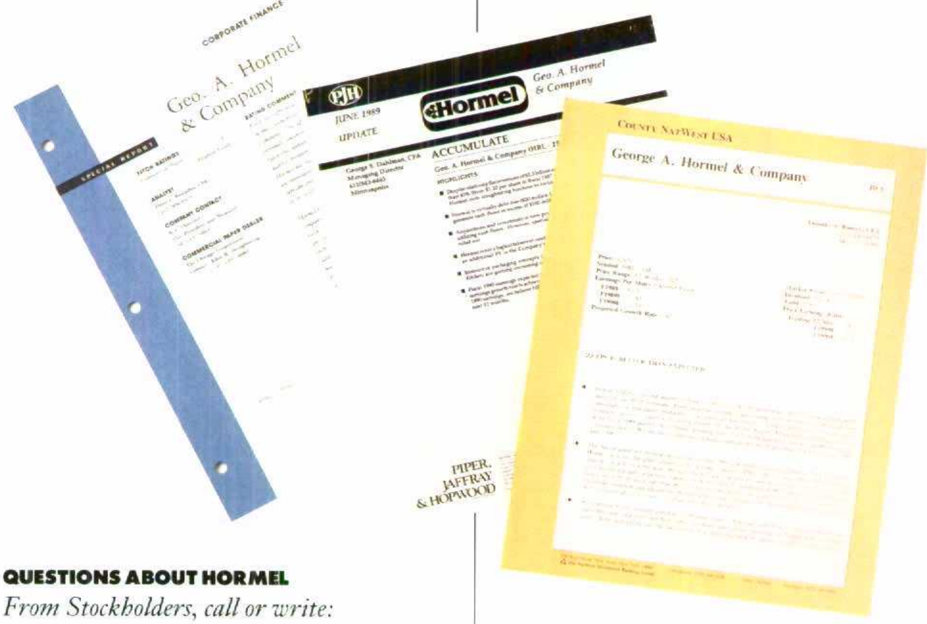
STOCK LISTING
New York Stock Exchange
Symbol: "HRL"

The corporation's daily trading activity, stock price and dividend information can be found in the financial section of most newspapers under the New York Stock Exchange listing "Hormel."

TRANSFER AGENT AND REGISTRAR
Norwest Bank Minnesota, N.A.
161 North Concord Exchange
P.O. Box 738
South St. Paul, Minnesota 55075

For the convenience of stockholders, Norwest Bank Minnesota, N.A., is providing a toll-free number (1-800-468-9716) that can be used whenever questions arise regarding changes in registered ownership, lost or stolen certificates, address changes or other matters pertaining to the transfer of stock or stockholder records.

Representatives of Norwest Bank Minnesota, N.A., are available to assist stockholders from 8:00 a.m. to 5:00 p.m. (Central standard time) every business day. When requesting information, stockholders must provide their tax identification number, the name(s) in which their stock is registered and their record address.



QUESTIONS ABOUT HORMEL
From Stockholders, call or write:
Thomas J. Leake
Corporate Secretary
Geo. A. Hormel & Company
P.O. Box 800
Austin, Minnesota 55912
(507) 437-5669

From Security Analysts, call or write:
Robert J. Thatcher
Vice President and Treasurer
Geo. A. Hormel & Company
P.O. Box 800
Austin, Minnesota 55912
(507) 437-5950

From the Media, call or write:
V. Allan Krejci
Director of Public Relations
Geo. A. Hormel & Company
P.O. Box 800
Austin, Minnesota 55912
(507) 437-5345

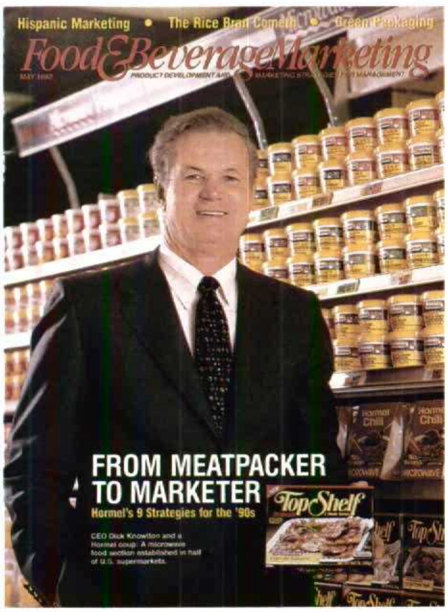
DIVIDEND POLICY
Geo. A. Hormel & Company's Board of Directors typically declares the payment of a cash dividend each quarter. Since becoming a public company in 1928, Hormel has never failed to make a quarterly dividend — a payout record that now extends to 62 consecutive years. The dividend has been increased in each fiscal year since 1966.

STOCKHOLDER RECORD DATA
Usually the third week in January, April, July and October which is approximately 25 days before the payable date.

DIVIDEND PAYMENT DATES
The fifteenth of February, May, August and November. Postal delays may cause receipt dates to vary.

DIVIDEND REINVESTMENT
Geo. A. Hormel & Company's Dividend Reinvestment Plan provides stockholders of record a cost-free method of purchasing additional shares of Company stock without paying brokerage commission or other service fees.

Participants in the plan may choose to have all or part of their dividends automatically reinvested, make optional additional cash payments or do both in purchasing shares of Hormel common stock.



All brokerage expenses are paid by Geo. A. Hormel & Company. Personal recordkeeping is simplified by an account statement that is mailed to participants by Norwest Bank Minnesota, N.A., plan administrator, after each investment is made.

To enroll in the plan or to obtain additional information, contact Norwest Bank Minnesota, N.A., using the address or telephone number provided with their listing in this section as Company transfer agent and registrar.

TAX REPORTS ON DIVIDEND INCOME

Geo. A. Hormel & Company is required to report to the Internal Revenue Service the total amount of dividends paid to each stockholder during the preceding year on Form 1099, which contains the information supplied by the transfer agent to the IRS for each stockholder account. This form, which may be used as a convenient reference and record when personal income taxes are filed, is mailed to stockholders after the end of each calendar year.

REPORTS AND PUBLICATIONS

Geo. A. Hormel & Company's objective in this 1990 *Annual Report to Stockholders* is to provide a single, comprehensive document describing the corporation's business and financial results. The *Annual Report* is one of the sources of information about the Company available to stockholders and the general public. Additional sources include the following:

Form 10-K Report

Filed annually with the Securities and Exchange Commission, this report is available in January, upon request, to stockholders of record and/or beneficial owners of the Company's common stock.

Form 10-Q

Also filed annually with the Securities and Exchange Commission, these reports are available in March, June and September.

Notice of Annual Meeting and Proxy Statement

Mailed in January, accompanying the notice of annual meeting and proxy statement is the proxy card. The proxy card should be signed, dated and returned promptly to ensure all shares are represented at the meeting and voted in accordance with instructions of their holder.

Quarterly Reports

Mailed to each stockholder in February, May, August and November.

Report on Annual Meeting

Mailed to each stockholder in February, shortly after the Annual Meeting.

Copies of any of these publications may be obtained by contacting the Director of Public Relations at Geo. A. Hormel & Company. (Use the address and/or telephone number provided elsewhere in the "Questions About Hormel" section.)

DUPLICATE MAILINGS

Sometimes several accounts are established for an individual stockholder due to variations in name, initials or address. This results in duplicate mailings of annual and quarterly reports despite efforts to prevent them. Stockholders are encouraged to eliminate some or all of these extra copies by consolidating several accounts into one.

To consolidate multiple accounts, simply write to Norwest Bank Minnesota, N.A., or call their toll-free number. (Use the address and/or telephone number provided with their listing in this section as Company transfer agent and registrar.) If possible, labels or label information indicating which name you wish to keep on the list and which names should be deleted should accompany your request. This procedure provides a significant cost reduction in production and mailing of the reports and saves the stockholder the annoyance of receiving duplicate mail.

RESEARCH

The following firms are among those which provided research coverage on Geo. A. Hormel & Company during fiscal 1990:

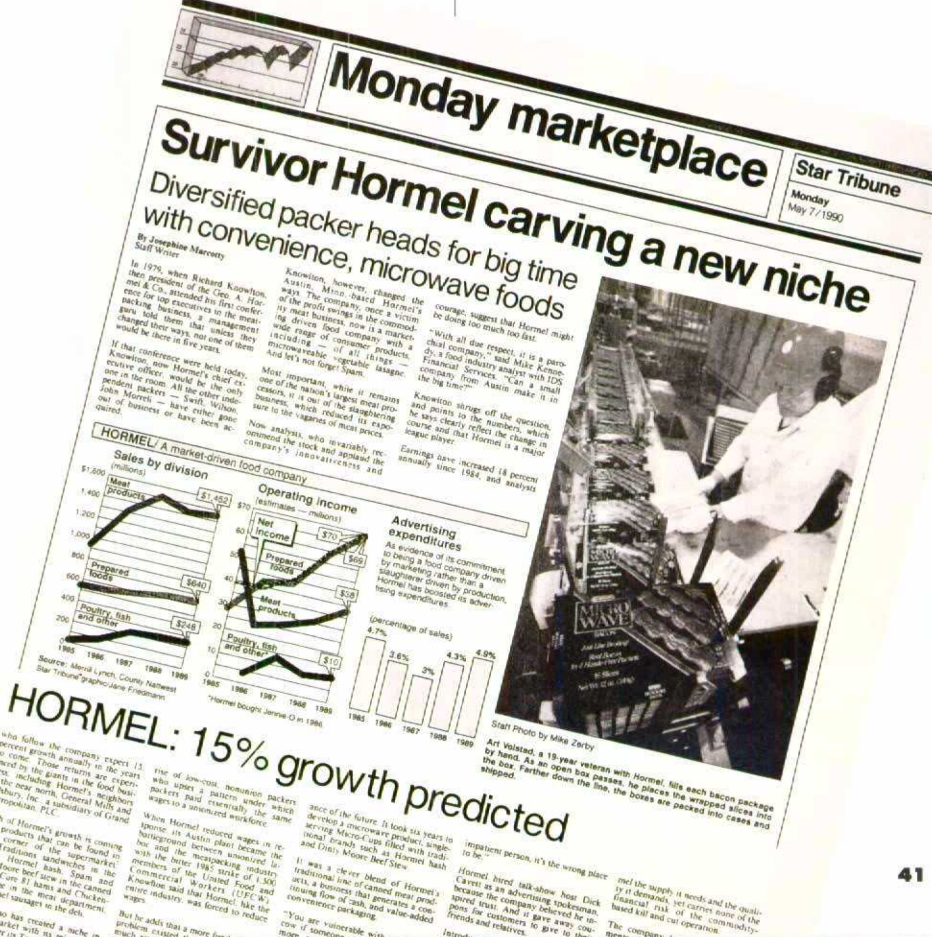
William L. Roberts & Co.
Sioux Falls, S.D.
Fitch Investors Service
New York, N.Y.
Blunt Ellis & Loewi, Inc.
Milwaukee, Wis.
William Blair & Company
Chicago, Ill.
Prudential-Bache Securities
New York, N.Y.
Dain Bosworth, Inc.
Minneapolis, Minn.
Piper, Jaffray & Hopwood, Inc.
Minneapolis, Minn.
Donaldson, Lufkin & Jenrette
New York, N.Y.
Merrill Lynch
New York, N.Y.
IDS Financial Services, Inc.
Minneapolis, Minn.
County NatWest
New York, N.Y.

COMPARATIVE PERFORMANCE

Category	*Fortune 500*
Sales	190
Net Income	252
Assets	356
Stockholders' Equity	260
Net Income as % of Sales	332
Net Income as % of Assets	100
Net Income as % of Stockholders' Equity	227
Earnings Per Share Growth Rate (1979-89)	143
Total Return to Investors Growth Rate (1979-89)	50
Total Return to Investors (1989)	50

NOTICE OF ANNUAL MEETING

The next meeting of the Company's stockholders will be Tuesday, Jan. 29, 1991, in the Austin (Minn.) High School Auditorium. The meeting will convene at 8:00 p.m. A formal notice of the meeting and proxy statement and proxy card are sent to stockholders with this *Annual Report.*


Monday marketplace
Star Tribune
Monday May 7/1990
Survivor Hormel carving a new niche
Diversified packer heads for big time with convenience, microwave foods
HORMEL: A market-driven food company
HORMEL: 15% growth predicted

A June 1948 meeting of the Hormel Board of Directors.

*Below: **Hormel** chunk breast of chicken.*

The Board of Directors of Geo. A. Hormel & Company consists of 14 members. Seven are officers of the Company; one is an officer of a wholly owned Company subsidiary, and six are nonemployee directors.

The property, affairs and business of the corporation are managed by or under the direction of the Hormel Board, all of whom bring considerable experience, energy and insight to management decision making. Regular meetings of the Board are scheduled throughout the year; special meetings are held as necessary.

Besides regularly scheduled meetings, the members of the Board of Directors also devote their time and expertise to seven standing committees which concentrate on specific areas of responsibility. The seven Committees of the Board and the chairperson are as follows:

Personnel Committee
R. L. Knowlton, chairperson

Contributions Committee
Stanley E. Kerber, chairperson

Audit Committee
Geraldine M. Joseph, chairperson

Pension Investment Committee
Don J. Hodapp, chairperson

Compensation Committee
Ray V. Rose, chairperson

Nominating Committee
W. Eugene Mayberry, M.D., chairperson

Executive Committee
R. L. Knowlton, chairperson

Principal strengths of the Company continue to be the varied backgrounds and expertise in agriculture, finance, public service and food industry management that elected members bring to the Committees of the Board and the Hormel Board as a group.

CHANGES IN OFFICERS AND DIRECTORS

A number of important changes involving Company officers and directors was announced in 1990. In addition to the retirement of a longtime, seasoned officer and the resignation of another high-ranking executive, several promotions made during the year ensured the Company of continuing to possess a strong and experienced senior management team of considerable depth.

Early in the fiscal year, members of the Corporate Secretary's Department and Law Department were appointed to new positions of responsibility. Thomas J. Leake, senior attorney and assistant corporate attorney, was advanced to corporate secretary. Kevin C. Jones and James W. Cavanaugh, both senior attorneys, were elected assistant corporate secretaries, and Mahlon C. Schneider, also a senior attorney, was named assistant general counsel.

In August, a corporate reorganization resulted in new executive promotions and the establishment of two additional group divisions designed to structure the Company for growth in foodservice, frozen foods and international expansion.

James W. Cole was elected group vice president of the newly established Foodservice Group, bringing to this new capacity more than 30 years of experience in sales, marketing and manufacturing involving both retail and foodservice operations. In his most recent position, Cole served as board chairman, president and chief executive officer of FDL Marketing, Inc., a wholly owned Company subsidiary based in Dubuque, Iowa. David N. Dickson, senior vice president of strategic planning and corporate development, was elected group vice president of the newly formed International, Frozen Foods and Planning & Development Group. He joined Hormel in August 1989 after 19 years with the Carnation Company which included serving as an executive vice president and a member of the Board of Directors. Gary J. Ray, senior vice president and a career Hormel employee, was named group vice president of the Operations Group and given added supervisory responsibilities for all Company transportation and distribution operations.

Coupled with the reorganization and personnel advancements was the resignation of Scott A. Wallace, executive vice president, who left to pursue other business interests.

Late in the year, five new members were elected to the Board of Directors and named to the Executive Committee. In addition to Cole, Dickson and Ray, also added to the Board and Executive Committee were Stanley E. Kerber, group vice president, Meat Products Group, and Robert F. Patterson, group vice president, Prepared Foods Group.

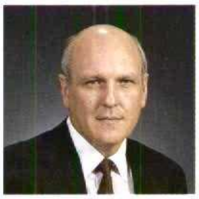
In other action, Mahlon C. Schneider was named vice president and general counsel and James A. Jorgenson, manager of the Austin (Minn.) plant, was advanced to vice president of manufacturing within the Operations Group.

Schneider succeeded Charles D. Nyberg, senior vice president and general counsel, whose calendar year-end retirement brought to a close a 31-year career. During his long and distinguished employment, Nyberg established an outstanding reputation for integrity, hard work and professional competence, traits he carried into the business community. Until his retirement, he was chairperson of the Contributions Committee, a member of the Executive Committee and Hormel Board of Directors. He will continue to serve as a member of The Hormel Foundation.

OFFICERS AND DIRECTORS

R. L. Knowlton
Chairman of the Board
President and
Chief Executive Officer
Director since
September 1974

James W. Cole
Group Vice President
Foodservice Group
Director since
November 1990



David N. Dickson
Group Vice President
International, Frozen
Foods and Planning
& Development Group
Director since
November 1990

Don J. Hodapp
Group Vice President
Administration
Director since April 1986

Forrest D. Dryden
Vice President
Research and
Development Division

James A. Jorgenson
Vice President
Manufacturing

David A. Larson
Vice President
Human Resources

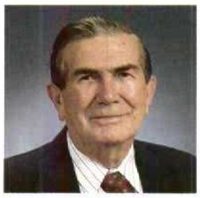
Marvin F. Moes
Vice President
Frozen Foods Division

Richard W. Schlange
Vice President
Controller

Mahlon C. Schneider
Vice President
General Counsel

Robert J. Thatcher
Vice President
Treasurer

Robert G. Wells
Vice President
Pork, Beef, Refineries
Division



Clarence G. Adamy
Alexandria, Va.
Food Industry Consultant
Former President
National Association
of Food Chains
Director since January 1977

John W. Allen
East Lansing, Mich.
Professor
Food Industry Institute
Michigan State University
Director since October 1989

Sherwood O. Berg
Brookings, S.D.
President Emeritus and
Professor of Economics
Emeritus
South Dakota State
University
Director June 1969-1973
Reelected November 1976

Geraldine M. Joseph
Minneapolis, Minn.
Senior Fellow
International Programs
Hubert H. Humphrey
Institute of Public Affairs
Director August 1974-
July 1978
Reelected April 1981

Stanley E. Kerber
Group Vice President
Meat Products Group
Director since
November 1990

Robert F. Patterson
Group Vice President
Prepared Foods Group
Director since
November 1990

Gary J. Ray
Group Vice President
Operations Group
Director since
November 1990

Eric A. Brown
Vice President
Grocery Products Division

Ronald E. Plath
Vice President
President of Hormel
International Corporation

Don L. Pohlman
Vice President
Foodservice Group

Kenneth P. Regner
Vice President
Engineering Division

James N. Rieth
Vice President
President and Chief
Executive Officer of
Jennie-O Foods, Inc.

Thomas J. Leake
Corporate Secretary

James W. Cavanaugh
Assistant Secretary

Kevin C. Jones
Assistant Secretary

Walter B. Stevens
Assistant Treasurer
Finance and Bank
Relations

W. Eugene Mayberry, M.D.
Rochester, Minn.
Chairman
Board of Development
Mayo Foundation for
Education and Research
Director since October 1986

Earl B. Olson
Willmar, Minn.
Chairman of the Board
Jennie-O Foods, Inc.
Director since March 1987

Ray V. Rose
Colorado Springs, Colo.
Food Industry Consultant
Former Supermarket Chain
Chief Executive Officer
Director since October 1981

Geo. A. Hormel & Company celebrates its Centennial year in 1991. A century of continual success and growth is a tremendous achievement in American business and, in the case of this 100-year-old corporation, a fitting testimonial to Hormel people nationwide for their pledge to produce uniformly top-quality products, provide excellent service and fulfill customer and consumer satisfaction.

These principles have remained constant during a period of time when Hormel has successfully transformed itself from a production-driven pork processor to an innovative marketer of consumer-branded food products. Just as the nation has changed dramatically throughout the 20th century, so has Hormel adapted to changing markets, industry challenges and economic conditions.

Hormel and its family of subsidiaries manufacture, market and distribute thousands of processed food products which are known and respected by consumers, retail grocers, foodservice and industrial customers. Many of the Company's products are among the best known and trusted in the food industry. They not only enjoy strong brand identification and leading market shares but address important customer and consumer priorities for high standards of quality, value and convenience.

Among the Company's principal products are branded, processed meats which are sold fresh, frozen, cured, smoked, cooked and canned. Included are sausages, hams, wieners, bacon, canned luncheon meats, shelf-stable microwaveable entrees, stews, chilies, hash and meat spreads. A majority of the Company's products is sold under the Hormel brand name. Well-established trademarks which are familiar to consumers and important to the Company's business are as follows:

Hormel
Black Label
By George
Cure 81
Kid's Kitchen
Light & Lean
Little Sizzlers
Mary Kitchen
Curemaster
Di Lusso
Dinty Moore
Farm Fresh
Frank 'N Stuff
Homeland
Jennie-O
New Traditions
Old Smokehouse
Range Brand
SPAM
Super Select
Top Shelf
Wranglers

These and other products are sold in all 50 states by sales representatives operating in assigned territories coordinated from district sales offices located in most of the larger United States cities. These efforts are supported by brokers and distributors.

Headquartered in Austin, Minn., the Company has plants in Fremont, Neb., and Springfield, Mo., which slaughter livestock for processing. Facilities at the Austin "flagship" plant are leased to Quality Pork Processors, Inc., under a custom slaughter arrangement which provides the Company with important additional production needs. Through a wholly owned subsidiary, FDL Marketing, Inc., Dubuque, Iowa, Hormel serves as the exclusive marketer of all fresh and processed products, including fresh pork, canned hams, sausage and smoked meat items, produced by FDL Foods, Inc., also of Dubuque.

Company processing plants are located in Algona, Iowa; Austin, Minn.; Beloit, Wis.; Davenport, Iowa; Houston, Texas; Knoxville, Iowa; Oklahoma City, Okla.; Stockton, Calif., and Tucker, Ga.

Distribution centers are based in Charlotte, N.C.; Hayward, Calif.; Honolulu, Hawaii, and Orlando, Fla. Their main function is to provide dry and cold storage facilities for the distribution of products to local market areas.

Through two wholly owned subsidiaries, Jennie-O Foods, Inc., Willmar, Minn., and Farm Fresh Catfish Company, Hollandale, Miss., the Company is a leading producer of whole and processed turkey products and grain-fed, farm-raised catfish which are sold through retail grocery stores and foodservice outlets. Catalogue Marketing, Inc., San Jose, Calif., also a wholly owned subsidiary, is a mail-order venture that offers a variety of specialty food and nonfood items through gift catalogs.

Hormel also operates in international areas, including the Philippines, Japan, England and other European countries through Hormel International Corporation. In addition, Hormel International Corporation has a domestic subsidiary, Vista International Packaging, Inc., based in Kenosha, Wis., which imports and processes a variety of natural and artificial casings for the meat and food processing industry.

Geo. A. Hormel & Company is a corporate enterprise owned by approximately 9,300 stockholders and comprised of over 8,300 employees, including subsidiaries.

References appearing in boldface in this 1990 *Annual Report to Stockholders* represent trademarks important to and owned by Geo. A. Hormel & Company or its subsidiaries.

*A gourmet hors d'oeuvre platter featuring **Hormel** prosciutto ham; **Hormel** pepperoni; **Cure 81** ham; **Homeland** hard salami, and **Di Lusso** genoa.*

1990 FINANCIAL SECTION

TABLE OF CONTENTS

(In Thousands, Except Per Share Amounts)	1990	1989	1988
OPERATIONS			
Net Sales	**$2,681,180**	**$2,340,513**	**$2,292,847**
Net Earnings	**77,124**	**70,114**	**60,192**
Percent of Sales	**2.88%**	**3.00%**	**2.63%**
Wage Costs	**267,391**	**254,449**	**253,937**
Total Taxes (excluding Payroll Tax)	**51,990**	**48,983**	**44,541**
Depreciation	**34,293**	**35,669**	**34,324**
FINANCIAL POSITION			
Working Capital	**$ 293,818**	**$ 232,941**	**$ 156,476**
Properties (net)	**235,026**	**244,362**	**263,056**
Total Assets	**799,422**	**727,429**	**706,548**
Long-Term Debt Less Current Maturities	**24,535**	**19,228**	**20,399**
Stockholders' Investment	**513,832**	**470,929**	**418,716**
PER SHARE OF COMMON STOCK			
Net Earnings	**$ 1.01**	**$ 0.91**	**$ 0.79**
Dividends	**0.26**	**0.22**	**0.18**
Stockholders' Investment	**6.70**	**6.14**	**5.46**

*53 Weeks

Per share figures have been restated to give effect for the two-for-one stock split which was effective Jan. 31, 1990.

1987*	1986	1985	1984	1983	1982	1981*
$2,314,082	**$1,960,237**	**$1,502,235**	**$1,454,527**	**$1,417,705**	**$1,426,596**	**$1,433,966**
45,944	**39,079**	**38,618**	**29,492**	**27,897**	**28,051**	**27,283**
1.99%	**1.99%**	**2.57%**	**2.03%**	**1.97%**	**1.97%**	**1.90%**
255,429	**222,535**	**233,512**	**241,210**	**250,724**	**269,964**	**270,522**
41,797	**38,297**	**40,500**	**30,394**	**28,483**	**22,805**	**18,796**
32,526	**30,741**	**28,087**	**27,056**	**26,410**	**17,587**	**13,887**
$ 147,969	**$ 196,199**	**$ 152,985**	**$ 106,332**	**$ 95,403**	**$ 69,527**	**$ 59,440**
263,917	**255,159**	**264,679**	**263,929**	**270,103**	**276,684**	**228,813**
697,970	**584,744**	**560,939**	**525,322**	**512,559**	**488,859**	**425,065**
48,831	**63,264**	**64,334**	**56,695**	**82,164**	**88,264**	**65,834**
373,120	**339,925**	**311,605**	**283,362**	**263,861**	**245,570**	**226,741**
$ 0.60	**$ 0.51**	**$ 0.50**	**$ 0.38**	**$ 0.36**	**$ 0.36**	**$ 0.36**
0.15	**0.14**	**0.13**	**0.13**	**0.12**	**0.12**	**0.11**
4.86	**4.42**	**4.05**	**3.69**	**3.43**	**3.20**	**2.95**

(In Thousands)	October 27, 1990	October 28, 1989
ASSETS		
CURRENT ASSETS		
Cash	$ 26,803	$ 22,909
Short-term marketable securities — at cost which approximates market	75,607	55,380
Accounts receivable	194,448	169,535
Inventories	184,347	164,962
Prepaid expenses	5,690	4,225
Total current assets	486,895	417,011
INVESTMENTS AND OTHER ASSETS	29,914	21,725
GOODWILL	47,587	44,331
PROPERTY, PLANT AND EQUIPMENT		
Land	5,813	6,773
Buildings	117,184	124,537
Equipment	368,321	371,594
Construction in progress	22,639	8,966
	513,957	511,870
Less allowance for depreciation	(278,931)	(267,508)
	235,026	244,362
	$799,422	$727,429

See notes to financial statements.

(In Thousands, Except Share and Per Share Amounts)	October 27, 1990	October 28, 1989
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES		
Accounts payable	**$ 76,101**	**$ 74,417**
Accrued expenses	**24,564**	**21,233**
Accrued advertising	**19,212**	**21,355**
Employee compensation	**34,055**	**32,983**
Taxes other than federal income taxes	**12,368**	**11,078**
Dividends payable	**4,985**	**4,216**
Federal income taxes	**20,015**	**17,625**
Current maturities of long-term debt	**1,777**	**1,163**
Total current liabilities	**193,077**	**184,070**
LONG-TERM DEBT — less current maturities	**24,535**	**19,228**
ACCRUED PENSION COSTS	**30,316**	**3,918**
OTHER LONG-TERM LIABILITIES	**11,098**	**9,253**
DEFERRED INCOME TAXES	**26,564**	**40,031**
STOCKHOLDERS' INVESTMENT		
Preferred Stock, par value $.01 a share — authorized 10,000,000 shares; issued — none		
Common Stock, nonvoting, par value $.01 a share — authorized 10,000,000 shares; issued — none		
Common Stock, par value $.1172 a share — authorized 200,000,000 shares; issued 76,852,128 shares	**9,007**	**9,007**
Additional paid-in capital	**3,828**	**3,425**
Shares held in treasury	**(2,855)**	**(2,797)**
	9,980	**9,635**
Earnings reinvested in business	**503,852**	**461,294**
	513,832	**470,929**
	$799,422	**$727,429**

See notes to financial statements.

(In Thousands, Except Per Share Amounts)	Fiscal Year Ended October 27, 1990	October 28, 1989	October 29, 1988
Sales, less returns and allowances	**$2,681,180**	**$2,340,513**	**$2,292,847**
Cost of products sold	**2,153,820**	**1,853,619**	**1,849,598**
Gross profit	**527,360**	**486,894**	**443,249**
Expenses:			
Selling and delivery	**354,077**	**327,063**	**297,488**
Administrative and general	**53,243**	**50,030**	**46,970**
Operating income	**120,040**	**109,801**	**98,791**
Other income and expenses:			
Other income — net	**4,584**	**4,777**	**5,331**
Interest expense	**(3,267)**	**(3,781)**	**(8,691)**
Earnings before income taxes	**121,357**	**110,797**	**95,431**
Provision for income taxes	**44,233**	**40,683**	**35,239**
Net earnings	**77,124**	**$ 70,114**	**$ 60,192**
Earnings per share	**1.01**	**$ .91**	**$ .78**

See notes to financial statements.

(In Thousands, Except Per Share Amounts)	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Earnings Reinvested in Business	Total Stockholders' Investment
Balance at October 31, 1987	**76,852**	**$9,007**	**(116)**	**$(1,196)**	**$2,922**	**$362,387**	**$373,120**
Purchases of Common Stock			**(100)**	**(979)**			**(979)**
Restricted stock grants			**16**	**148**	**34**		**182**
Net earnings						**60,192**	**60,192**
Cash dividends — $.18 per share						**(13,799)**	**(13,799)**
Balance at October 29, 1988	**76,852**	**9,007**	**(200)**	**(2,027)**	**2,956**	**408,780**	**418,716**
Purchases of Common Stock			**(290)**	**(3,928)**			**(3,928)**
Exercise of stock options			**264**	**2,905**		**(730)**	**2,175**
Tax benefit of stock options					**395**		**395**
Restricted stock grants			**26**	**253**	**74**		**327**
Net earnings						**70,114**	**70,114**
Cash dividends — $.22 per share						**(16,870)**	**(16,870)**
Balance at October 28, 1989	**76,852**	**9,007**	**(200)**	**(2,797)**	**3,425**	**461,294**	**470,929**
Purchases of Common Stock			**(238)**	**(3,687)**			**(3,687)**
Exercise of stock options			**245**	**3,551**		**(2,482)**	**1,069**
Tax benefit of stock options					**403**		**403**
Restricted stock grants			**5**	**78**		**(6)**	**72**
Excess of additional minimum pension liability over unrecognized prior service costs						**(12,129)**	**(12,129)**
Net earnings						**77,124**	**77,124**
Cash dividends — $.26 per share						**(19,949)**	**(19,949)**
Balance at October 27, 1990	**76,852**	**$9,007**	**(188)**	**$(2,855)**	**$3,828**	**$503,852**	**$513,832**

See notes to financial statements.

(In Thousands)	Fiscal Year Ended October 27, 1990	October 28, 1989	October 29, 1988
OPERATING ACTIVITIES			
Net earnings	$ 77,124	$70,114	$ 60,192
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	34,293	35,669	34,324
Amortization of goodwill	1,261	1,194	1,193
Provision for deferred income taxes	(6,158)	(1,435)	(13,566)
Gain on sales of property, plant and equipment	(11,322)	(5,205)	(335)
Changes in operating assets and liabilities:			
Increase in accounts receivable	(24,913)	(10,903)	(6,811)
(Increase) decrease in inventories and prepaid expenses	(20,850)	(20,733)	1,424
Increase (decrease) in accounts payable and accrued expenses	6,890	(4,367)	29,338
Net cash provided by operating activities	56,325	64,334	105,759
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(34,988)	(23,742)	(34,362)
Proceeds from sales of property, plant and equipment	21,353	11,972	1,234
(Increase) decrease in investments and other assets	(3,167)	262	(615)
Net cash used in investing activities	(16,802)	(11,508)	(33,743)
FINANCING ACTIVITIES			
Proceeds from long-term borrowings	5,873		
Principal payments on long-term debt	(1,184)	(26,297)	(53,358)
Dividends paid on Common Stock	(19,181)	(16,103)	(13,230)
Other	(910)	(1,031)	(798)
Net cash used in financing activities	(15,402)	(43,431)	(67,386)
Increase in cash and short-term marketable securities	24,121	9,395	4,630
Cash and short-term marketable securities at beginning of year	78,289	68,894	64,264
Cash and short-term marketable securities at end of year	$102,410	$78,289	$ 68,894

See notes to financial statements.

October 27, 1990

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION: The financial statements include the accounts of Geo. A. Hormel & Company and all of its majority-owned subsidiaries after elimination of all significant intercompany accounts, transactions and profits. Investments in unconsolidated foreign companies are included in the financial statements at the Company's cost.

SEGMENT INFORMATION: Hormel is engaged in a single business segment designated as "meat and food processing." As a federally inspected food processor, Hormel is engaged in the processing of meat and poultry products, production of a variety of prepared foods and the marketing of those products.

INVENTORIES: Inventories are valued at the lower of cost or market. Livestock and the materials portion of products are valued on the first-in, first-out method with the exception of the materials portion of turkey products which are valued on the last-in, first-out method. Substantially all inventoriable expenses, packages and supplies are valued by the last-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets, primarily on a straight-line basis.

AMORTIZATION OF GOODWILL: Goodwill is being amortized over periods up to 40 years. Accumulated amortization at October 27, 1990, and October 28, 1989, was $4,657,000 and $3,396,000, respectively.

INCOME TAXES: Provision is made in the financial statements for deferred income taxes arising primarily from timing differences in accounting for depreciation for tax and financial reporting purposes.

The Company will be required to adopt the principles of FASB Statement No. 96, "Accounting for Income Taxes," no later than fiscal 1993. The Company does not currently plan early adoption of Statement 96, which is expected to have a favorable impact on the Company's financial position.

STATEMENT OF CASH FLOWS: Short-term marketable securities have maturities of less than 90 days and are considered to be cash equivalents.

EARNINGS PER SHARE: Earnings per share of Common Stock are based on the weighted average number of shares outstanding during the year. The dilutive effects of Common Stock equivalents were not significant in any year presented. Earnings and dividends per share for all periods presented have been restated to give effect for the two-for-one stock split which occurred during the year.

FISCAL YEAR: The Company's fiscal year ends on the last Saturday in October.

RECLASSIFICATIONS: Certain prior year balances have been reclassified to conform to the 1990 presentation.

B INVENTORIES

Inventoriable expenses, packages and supplies amounting to approximately $38,400,000 at October 27, 1990, and $36,700,000 at October 28, 1989, are stated at cost determined by the last-in, first-out method, and are $20,900,000 and $20,400,000 lower in the respective years than such inventories determined under the first-in, first-out method. Turkey products amounting to $6,500,000 at October 27, 1990, and $2,600,000 at October 28, 1989, are stated at cost determined by the last-in, first-out method and are $500,000 lower in each year than such inventories determined under the first-in, first-out method.

C LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt consists of:

(In Thousands)	October 27, 1990	October 28, 1989
Industrial revenue bonds	**$19,207**	**$20,391**
Other	**7,105**	
	26,312	**20,391**
Less current maturities	**1,777**	**1,163**
	$24,535	**$19,228**

The Company's industrial revenue bonds carry interest rates varying from 5.25% to 12.0% and mature in varying installments from 1991 to 2007.

At October 27, 1990, the Company had unused lines of credit of $15,000,000 for short-term borrowing. A fixed fee is paid for the availability of credit lines.

Total interest paid on all short-term and long-term debt during fiscal 1990, 1989 and 1988 was $3,230,000, $4,310,000 and $9,536,000, respectively.

Maturities of long-term debt for the five fiscal years subsequent to October 27, 1990, are: 1991—$1,777,000; 1992—$4,157,000; 1993—$7,462,000; 1994—$540,000, and 1995—$565,000.

(continued)

D EMPLOYEE BENEFITS

The Company and its subsidiaries have several non-contributory defined benefit plans and defined contribution plans covering most employees. Benefits for defined benefit plans covering hourly employees are provided based on stated amounts for each year of service while plan benefits covering salaried employees are based on final average compensation. The Company's funding policy is to make annual contributions of not less than the minimum required by applicable regulations.

A summary of the components of net periodic pension cost for defined benefit plans is as follows:

(In Thousands)	1990	1989	1988
Service cost—benefits earned during the year	$ 6,931	$ 5,057	$ 4,790
Interest cost on projected benefit obligation	27,131	27,332	27,140
Actual return on plan assets	(3,432)	(47,354)	(32,896)
Net amortization and deferral	(28,564)	17,725	4,874
Net pension costs	$ 2,066	$ 2,760	$ 3,908

Assumptions used in accounting for the defined benefit plans were:

	1990	1989	1988
Weighted average discount rates	8.50%	7.50%	8.25%
Rates of increase in compensation levels	6.50	6.50	6.50
Expected long-term rate of return on assets	10.50	10.50	10.50

In 1990, the Company adopted the minimum liability provisions of Statement of Financial Accounting Standards No. 87, "Employers Accounting for Pensions." This noncash transaction had the following effects on the Statement of Financial Position: increased accrued pension costs (minimum liability) by $29.0 million, increased other assets (offsetting intangible pension asset) by $9.6 million, decreased deferred taxes payable by $7.3 million and decreased retained earnings by $12.1 million.

The following table sets forth the plans' funded status and amounts recognized in the statements of financial position:

	October 27, 1990		October 28, 1989	
(In Thousands)	Plans Whose Assets Exceed Accrued Benefits	Plans Whose Accrued Benefits Exceed Assets	Plans Whose Assets Exceed Accrued Benefits	Plans Whose Accrued Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	$116,889	$179,327	$126,923	$193,346
Nonvested benefit obligation	10,496	4,799	11,348	5,674
Accrued benefits	127,385	184,126	138,271	199,020
Effects of estimated future pay increases	39,886	2,178	39,971	6,884
Projected benefit obligations	167,271	186,304	178,242	205,904
Plan assets at fair value	146,803	158,657	147,954	177,942
Projected benefit obligations in excess of benefit plan assets	20,468	27,647	30,288	27,962
Unrecognized prior service costs	(6,390)	(1,046)		
Unrecognized net loss	(14,119)	(21,616)	(29,946)	(20,416)
Remaining net asset (obligation) at transition	4,887	(8,492)	5,237	(9,207)
Adjustment required to recognize minimum liability		28,977		
Net pension liability (asset) in statements of financial position	$ 4,846	$ 25,470	$ 5,579	$ (1,661)

At October 27, 1990, plan assets included Common Stock of the Company having a market value of $44,691,000.

In addition to providing pension benefits, the Company provided health care and life insurance benefits to certain retired employees. These persons, who were working for the Company at the time of their retirement, are eligible for health care and life insurance benefits providing they qualify for pension benefits. The cost of retiree health care and life insurance benefits is recognized as expense as claims are paid. Those costs totaled $12,565,000, $12,383,000 and $11,454,000 in 1990, 1989 and 1988, respectively.

E INCOME TAXES

The components of the provision for income taxes are as follows:

(In Thousands)	1990	1989	1988
Current:			
U.S. Federal	**$43,038**	**$36,655**	**$43,310**
State	**7,353**	**5,463**	**5,495**
	50,391	**42,118**	**48,805**
Deferred:			
U.S. Federal	**(5,564)**	**(2,070)**	**(12,124)**
State	**(594)**	**635**	**(1,442)**
	(6,158)	**(1,435)**	**(13,566)**
	$44,233	**$40,683**	**$35,239**

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

	1990	1989	1988
U.S. statutory rate	**34.0%**	**34.0%**	**34.0%**
State taxes on income, net of federal tax benefit	**3.6**	**3.6**	**2.8**
All other, net	**(1.2)**	**(.9)**	**.1**
Effective tax rate	**36.4%**	**36.7%**	**36.9%**

Included in the provision for deferred federal income taxes is the effect of timing differences as follows:

(In Thousands)	1990	1989	1988
Depreciation	**$(2,862)**	**$(1,738)**	**$ (997)**
Vacation pay	**(180)**	**(47)**	**(2,045)**
Self insurance	**679**	**28**	**(4,182)**
All other, net	**(3,201)**	**(313)**	**(4,900)**
	$(5,564)	**$(2,070)**	**$(12,124)**

Total income taxes paid during fiscal 1990, 1989 and 1988 were $46,067,000, $51,958,000 and $38,276,000, respectively.

F MARKETING AGREEMENT

The Company has a marketing agreement through 1992 with FDL Foods, Inc., a meat processing company located in Dubuque, Iowa. Under the agreement, the Company's wholly owned subsidiary, FDL Marketing, Inc., purchases at cost (approximately $641,000,000 in 1990, $600,000,000 in 1989 and $613,000,000 in 1988), markets and distributes the entire production of FDL Foods. The combined pretax income of FDL Foods and FDL Marketing is then divided between the subsidiary and FDL Foods. The Company has the option to purchase FDL Foods or terminate the relationship at any time during the agreement.

G COMMITMENTS

In order to ensure a steady supply of turkeys and to keep the cost of products stable, Jennie-O Foods, Inc., a Company subsidiary, enters into contracts to purchase turkeys at fixed prices. Under these contracts the subsidiary is committed at October 27, 1990, to purchase approximately 206,788,000 pounds of live turkeys at a total cost of approximately $84,833,000.

The Company has commitments to expend approximately $23,098,000 to complete construction in progress at various locations at October 27, 1990.

H STOCK OPTIONS

Under the Key Employee Stock Option and Award Plan, the Company may grant employees options to purchase Common Stock of the Company at 100 percent of the market value on the date of grant. Options outstanding expire at various dates ranging from 1991 through 1994. Shares may be withheld upon exercise for the payment of applicable withholding taxes. Options are exercisable upon grant and are outstanding as follows:

	Shares	Price Per Share
Balance October 29, 1988	**1,938,000**	**$ 7.47 to $ 9.31**
Granted	**650,000**	**9.31**
Exercised	**(266,000)**	**7.47 to 9.31**
Balance October 28, 1989	**2,322,000**	**7.47 to 9.31**
Granted	**530,000**	**15.06**
Exercised	**(333,000)**	**7.50 to 9.31**
Balance October 27, 1990	**2,519,000**	**$ 7.47 to $15.06**

(continued)

I PLANT LEASES

The Company leases portions of its Austin (Minn.) plant to a corporation which conducts slaughter and cut operations at the facility. The lease agreement expires in 1992 and requires the purchase of minimum monthly quantities of meat by the Company.

In 1990, the Company sold the processing portion of its manufacturing plant in Ottumwa, Iowa, to the third party who had been leasing the facility.

J QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following tabulation reflects the unaudited quarterly results of operations for the years ended October 27, 1990, and October 28, 1989:

(In Thousands, Except Per Share Data)	Net Sales	Gross Profit	Net Earnings	Earnings Per Share
1990				
First quarter	$ 620,471	$125,325	$14,377	$ .19
Second quarter	633,144	127,423	13,803	.18
Third quarter	654,743	115,655	12,628	.16
Fourth quarter	772,822	158,957	36,316	.48
	$2,681,180	$527,360	$77,124	$1.01
1989				
First quarter	$ 551,202	$116,573	$13,655	$ .18
Second quarter	526,250	108,944	9,834	.13
Third quarter	563,986	115,755	14,326	.18
Fourth quarter	699,075	145,622	32,299	.42
	$2,340,513	$486,894	$70,114	$ .91

REPORT OF INDEPENDENT AUDITORS

To the Stockholders and Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have audited the accompanying statements of financial position of Geo. A. Hormel & Company as of October 27, 1990, and October 28, 1989, and the related statements of earnings, changes in stockholders' investment and cash flows for each of the three years in the period ended October 27, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Geo. A. Hormel & Company at October 27, 1990, and October 28, 1989, and the results of its operations and its cash flows for each of the three years in the period ended October 27, 1990, in conformity with generally accepted accounting principles.

Ernst + Young

Minneapolis, Minnesota
November 20, 1990

RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The accompanying financial statements were prepared by the management of Geo. A. Hormel & Company which is responsible for their integrity and objectivity. These statements have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances and, as such, include amounts that are based on our best estimates and judgments.

Geo. A. Hormel & Company has developed a system of internal controls designed to assure that the records reflect the transactions of the Company and that the established policies and procedures are adhered to. This system is augmented by well-communicated written policies and procedures, a strong program of internal audit and well-qualified personnel.

These financial statements have been audited by Ernst & Young, independent auditors, and their report appears on this page. Their audit is conducted in accordance with generally accepted auditing standards and includes a review of the Company's accounting and financial controls and tests of transactions.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent auditors, management and the internal auditors to assure that each is carrying out its responsibilities. Both Ernst & Young and our internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the results of their audit work and their opinions on the adequacy of internal controls and the quality of financial reporting.

RW Schlange

R.W. SCHLANGE
Vice President and Controller

R.L. KNOWLTON
Chairman of the Board
President and Chief Executive Officer

RESULTS OF OPERATION

One of the stated objectives of Geo. A. Hormel & Company for the past several years has been to introduce new products complementing an expanded line of higher margin, consumer-branded products. The purpose of this objective is to minimize the cyclical effect of slaughtering operations and the fluctuating prices of fresh, commodity pork items. Although considerable progress has been made in reducing Company exposure to the fluctuations of the fresh pork market through expansion into branded items using turkey, chicken and fish, pork remains the Company's major raw material and fluctuation in pork raw material prices is still a factor in year-end results.

FISCAL YEARS 1990 AND 1989

In 1990, the Company reported an improvement in earnings for the seventh consecutive year. The record earnings of $77,124,000 in 1990 represented a 10 percent increase over 1989. Earnings per share, adjusted for a two-for-one stock split, increased to $1.01 from $.91 last year. Net sales also set a new record with a 14.6 percent increase to $2,681,180,000 from $2,340,513,000 in 1989. Tonnage volume increased 3.2 percent even though price levels were higher throughout much of the year.

Gross profit for the year was 19.7 percent of sales compared to 20.8 percent in 1989. Raw material costs moderated in the fourth quarter, easing the pressure on margins experienced in the second and third quarters of 1990.

As mentioned earlier, price levels for pork raw materials experienced a rapid and sustained rise throughout much of the year. This put heavy pressure on margins for items with high pork content which compete with a variety of other meat and poultry products. Close control of inventory levels and quantities purchased was imperative to minimize the negative impact of the higher raw material costs that could not be fully passed along.

Net earnings for the fourth quarter increased 12.4 percent to $36,316,000 which was also a record. Fourth quarter sales of $772,822,000 were 10.5 percent over 1989 on approximately the same tonnage volume.

The primary contributor to the outstanding results reported for the quarter and year was the Company's core business. Both the Prepared Foods Group and the Meat Products Group finished the fourth quarter with very successful sales campaigns. Both Groups continue to introduce new products emphasizing health and convenience. This focus is necessary to increase their presence in the processed meat categories which will be important in producing higher earnings in 1991, the Company's Centennial year. Sales of distribution centers and a plant also had a positive impact on operations. The 1990 performance was even more commendable considering the rapid, sustained price increases experienced for raw materials throughout much of the year.

During 1990, the Company reached a two-year agreement with the union at the Austin (Minn.) plant. Agreements with unions at all major facilities are in place until the fall of 1992.

The Company continued programs to monitor selling and delivery and administrative and general expenditures in 1990. The cost control programs combined with increased sales resulted in a decline of these expenses as a percentage of sales compared to 1989.

Advertising and promotion expenses increased $18,958,000 in 1990 to $130,658,000. The increased advertising expenses reaffirm the Company's commitment to expanding both established branded products as well as the heavy advertising expenditures required for new product introductions.

Research and development continues to be an integral part of the Company's success in new product introductions. Task forces, including R&D, operations and marketing personnel, work together to create and develop new products. The Company requires new product ideas and development to offer convenience and health benefits to consumers and production efficiency and ergonomic features for workers. An additional priority of each task force is to reduce packaging material to minimize environmental concerns. R&D expenditures are expected to remain at current levels in 1991.

Jennie-O Foods, Inc., a wholly owned turkey processor, experienced lower margins in the first part of 1990 but finished the year with a strong positive contribution to Company results. Jennie-O's business plan continues to emphasize higher margin, branded turkey items rather than the slaughter and sale of whole birds. Major expansion projects needed for increased capacity were completed in 1990.

Hormel International Corporation (HIC) and its domestic subsidiary, Vista International Packaging Corporation, continue to be good performers. Currency fluctuations in several overseas markets during the year had a negative impact on budgeted sales goals in 1990. The Company continues to regard international markets as a major growth area.

FDL Marketing, Inc., a wholly owned subsidiary which markets the production of FDL Foods, Inc., Dubuque, Iowa, also made a positive contribution to operating income in 1990. The FDL Marketing product line is principally fresh, commodity-type pork products subject to price volatility. However, close attention to cost and inventory control neutralized the negative impact of higher live hog prices experienced much of the year.

Farm Fresh Catfish Company completed the year with a small profit. The catfish industry continues to struggle with supply and capacity problems which have kept margins very tight. The Company believes the market for fish products will grow in importance in the coming years. Projects to commercially develop tilapia, a firm, white fish with an excellent feed conversion ratio, have not been entirely successful and the Company is evaluating its continued involvement.

FISCAL YEARS 1989 AND 1988

Fiscal 1989 was the sixth consecutive year the Company has reported improvement in earnings. The Company earned a record $70,114,000 in 1989, a 16.5 percent increase over 1988. Net sales during fiscal 1989 also set a new record. Sales increased 2.1 percent to $2,340,513,000 from the $2,292,847,000 reported in 1988. Tonnage volume increased 2.8 percent in 1989 compared to 1988.

The fourth quarter of 1989 also produced record earnings. Net earnings for the quarter of $32,299,000 were 12.1 percent over the 1988 record. Sales of $699,075,000 were 6.7 percent over last year on a 4.1 percent increase in tonnage volume.

The Company believes increased emphasis by all employees to produce and deliver quality products was a significant factor in the extremely successful year just completed. Important to this increased emphasis is the Quality Improvement Process (QIP) that began 3½ years ago. This process provides the principles and education for our employees to continue developing and marketing new quality products.

The primary contributor to the outstanding results reported for the quarter and year was the Company's base business. The Grocery Products Division had an outstanding year and was a significant contributor in the fourth quarter as it finished the year with a very successful sales campaign. The Meat Products Division was also a positive contributor to Company results in 1989. The 1989 performance was even more commendable as both divisions experienced heavy expenditures for new product introductions.

Price levels for pork raw materials purchased, as well as pork products sold, remained relatively high during the year. The Austin (Minn.) pork slaughter operations, which were closed in 1988, reopened in June 1989 after that portion of the plant was leased to Quality Pork Processors, Inc., Dallas, Texas.

A supply agreement to purchase fresh pork from Excel Corporation was terminated early in 1989. Excel, which began leasing the pork slaughter and certain processing areas of the Company's Ottumwa (Iowa) plant in 1987, purchased the pork slaughter area late in fiscal 1989. Excel continued to lease the processing area while negotiations continued regarding its purchase.

Jennie-O Foods, Inc., a turkey processor acquired in fiscal 1987, experienced low markets in 1988 and early 1989. Markets later in 1989 resulted in a significant improvement in operating income and a positive contribution to Company results. Jennie-O's business plan for 1990 emphasizes higher margin, manufactured branded turkey items rather than slaughter and sale of whole birds.

Hormel International Corporation (HIC), a wholly owned subsidiary, continues to be a solid performer for the Company. International markets will provide opportunities for growth in the 1990s. HIC is working on strategies to capitalize on these opportunities.

FDL Marketing, Inc., a wholly owned subsidiary which markets all production of FDL Foods, Inc., Dubuque, Iowa, was also a positive contributor to operating income in 1989. FDL Marketing's product line is more oriented to fresh, commodity-type pork business and is subject to more price volatility than the Hormel product line.

Farm Fresh Catfish Company, acquired in 1983, operated at break-even as the industry struggled with supply and capacity problems. The Company sees the market for fish products growing in importance in the coming years and is working on projects to commercially develop tilapia, a firm, white fish with an excellent feed conversion ratio.

Advertising expenses increased $13,900,000 in 1989 to $111,700,000. The increased advertising expenses included heavy expenditures associated with the continued national rollout of microwaveable shelf-stable products. Chicken **By George** prepared packaged chicken and **Micro Cup** single-serve entrees, reaffirm the Company's commitment to broaden its base of branded products and to lessen its dependence on commodity-type fresh meat products.

Interest expense declined $4,910,000 to $3,781,000 which was a result of paying off $75,000,000 in notes due in late 1988 and early 1989. Even with the outflow of cash to repay these obligations, other income, which is primarily interest and dividends on Company investments, dropped only $554,000 to $4,777,000.

The effective tax rate in 1989 was 36.7 percent compared to 36.9 percent in 1988.

LIQUIDITY AND SOURCES OF CAPITAL

Cash and short-term marketable securities showed an increase of $24,121,000 to $102,410,000 for fiscal year 1990. The balance sheet is extremely strong and liquid.

In 1990, cash provided by operations decreased $8,009,000. The decrease was the result of a significant increase in accounts receivable due to very strong sales campaigns in the

fourth quarter. Inventories also required significantly more cash, reflecting the generally higher price levels on approximately the same physical volume of inventory at the end of 1989 and 1990.

The increase in cash required for deferred taxes was due to fluctuations in reserves and accruals which are not deductible for income tax purposes until paid. The Company's deferred tax liability is expected to decrease from current levels when the "liability method" of accounting for income taxes required by Financial Accounting Standard No. 96 is implemented. Adoption of Statement 96 is required no later than fiscal 1993.

Investing activities in 1990 used $5,294,000 more cash than 1989. Cash required for the substantial increase in 1990 additions to property, plant and equipment was partially offset by cash provided by the sale of closed distribution centers at Seattle, Wash.; Dallas, Texas; Los Angeles, Calif.; Montgomery, Ala., and the Ottumwa, Iowa, processing facility.

On an ongoing basis, the Company evaluates its plant and equipment to achieve the best productivity, utilization and return on investment. Investment in new plants and equipment is expected to remain at current levels in 1991 with emphasis on projects contributing to productivity gains while maximizing ergonomics and safety conditions for employees.

Long-term debt remaining on the Company books consists of industrial revenue bonds with varying maturities and debt acquired in 1990 by Hormel UK Ltd., an English subsidiary. Cash flow from operations is considered adequate to finance the Company's normal growth and operations in 1991.

Financial ratios for 1990 and 1989 are presented below:

LIQUIDITY RATIOS	**1990**	**1989**
Current ratio	**2.5**	**2.3**
Receivables turnover	**14.7**	**14.3**
Days sales in receivables	**26.5**	**26.4**
Inventory turnover	**12.3**	**12.0**
Days sales in inventory	**31.2**	**32.5**
LEVERAGE RATIO		
Long-term debt to equity	**5.1%**	**4.3%**
OPERATING RATIOS		
Pretax profit to net worth	**24.6%**	**24.9%**
Pretax profit to total assets	**15.9%**	**15.5%**